

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Ionia	County Ionia
Fiscal Year End June 30, 2007	Opinion Date November 16, 2007	Date Audit Report Submitted to State December 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

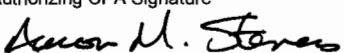
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	
		License Number 1101024055	

**City of Ionia
Ionia County, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

City of Ionia
Ionia County, Michigan

June 30, 2007

CITY COUNCIL AND ADMINISTRATION

Daniel Balice	Mayor
Gordon Kelley	Council Member
Monica Miller	Council Member
Kim Patrick	Council Member
Bruce Roetman	Council Member
James Smith	Council Member
Jeff Winters	Council Member
Brenda Cowling-Cronk	Council Member
Robert O'Mara	Council Member
Jason Eppler	City Manager
Robin Marhofer	Treasurer/Director of Finance
Karen Confer	City Clerk

City of Ionia

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ionia, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ionia, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007 on our consideration of the City of Ionia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ionia's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

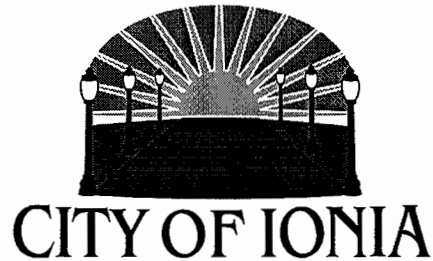
Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007



The intent of the management's discussion and analysis is to provide highlights of the City of Ionia's financial activities for the fiscal year ended June 30, 2007. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

Net Assets: Total assets of the City exceeded liabilities by \$18,000,496 (net assets). Restricted capital assets include \$239,089 from bond proceeds that are to be used during FY 07-08 to pay for capital asset projects that were not constructed by June 30, 2007, \$900,876 for future debt service payments, and other restrictions for streets and grant activities, resulting in an unrestricted net assets balance of \$2,122,933. Working capital, the difference between Current Assets and Current Liabilities, shows a positive cash flow to meet the City's ongoing obligations. Governmental activities net assets were \$9,448,356 and Business-type activity net assets were \$8,552,140. Component unit net assets were \$(5,010,298). It is typical for component units to have debt without a corresponding capital asset because the capital purchases/improvements are turned over to the governmental funds.

Unreserved Fund Balance: At the end of the current fiscal year, unreserved fund balances for the City's governmental funds were \$762,238, or 9.3% of total annual expenditures and other financing uses. The General Fund's fund balance increased by \$269,350. Unreserved Fund Balance allows for fluctuations in cash flows.

Capital and Long-term Debt Activities: One of the City's business-type activities fund, Dial-A-Ride, issued new debt totaling \$484,079 for the purpose of financing the construction of a telecommunications tower. The majority of the debt is secured by grants receivable from the Michigan Department of Transportation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City consists of the following components: 1) Independent Auditors Report; 2) Management's Discussion and Analysis; 3) the Basic Financial Statements including notes to the financial statement; and, 4) Required Supplementary Information such as budget to actual comparisons and Other Supplementary Information including combining financial statements for all non-major governmental funds and proprietary funds.

Government-wide Financial Statements

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The Statement of Net Assets represents all the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during FY 06-07. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows.

Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

Governmental Activities - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments such as Public Safety, General Government, Public Works, and Recreation are reported under these activities. This also includes the activities such as the Major and Local Street maintenance.

Business-type Activities - These activities operate like private businesses where fees are charged to recover the cost of services provided. The City's Water and Sewer Systems, Theatre and Dial-A-Ride are considered business-type activities.

Discretely Presented Component Units - Discretely Presented Component Units are legally separate organizations for which the City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Organizations included as component units are the Downtown Development Authority, the Local Development Finance Authority, and the Brownfield Redevelopment Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types.

Fund Financial Statements

The fund financial statements provide information on the City's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (Central Garage) as well as enterprise funds such as the Water & Sewer Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City include the General Fund, Capital (Grant) Projects, Dial-A-Ride and the Water & Sewer Funds. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its non-major funds in other supplementary sections of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

Governmental Funds - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance City programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).

Proprietary Funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Central Garage Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Fiduciary Funds - The City acts as a trustee or fiduciary in certain instances. The City's fiduciary activities are reported in separate statements of Fiduciary Net Assets on page 15. This fund is reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations. The taxes that are collected during the year are paid to the taxing unit of government.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 18 of this report.

Other Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund.

Other Supplementary Information includes combining financial statements for non-major governmental funds, budgetary schedules for non-major Special Revenue Funds, and a detailed schedule of revenues, expenditures, change in fund balance for the Grant Projects Fund, and the Dial-A-Ride Transit Schedules. The non-major funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

City of Ionia

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

FINANCIAL ANALYSIS OF THE CITY OF IONIA AS A WHOLE

The Statement of Net Assets and the Statement of Activities provide the information to determine how the City of Ionia did financially during FY 06-07. The net assets and the changes in them can indicate whether financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, and new or changed government legislation also need to be considered in determining the City's financial health.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc). These assets are used to provide services to the resident and they are not available to pay salaries, operational expenses, or fund capital projects.

NET ASSETS AS OF JUNE 30, 2007

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Current and Other Assets	\$ 1,758,648	\$ 1,608,702	\$ 4,332,895	\$ 3,515,433	\$ 3,323,305	\$ 5,124,135
Capital Assets	<u>12,765,786</u>	<u>11,949,965</u>	<u>21,594,468</u>	<u>22,945,137</u>	<u>37,128,492</u>	<u>34,895,102</u>
Total Assets	14,524,434	13,558,667	25,927,363	26,460,570	40,451,797	40,019,237
Current Liabilities	1,734,929	1,010,934	984,815	1,239,519	2,719,744	2,250,453
Noncurrent Liabilities	<u>3,543,457</u>	<u>3,099,377</u>	<u>16,940,583</u>	<u>16,668,911</u>	<u>20,484,040</u>	<u>19,768,288</u>
Total Liabilities	5,278,386	4,110,311	17,925,398	17,908,430	23,203,784	22,018,741
Net Assets						
Invested in capital Assets - (Net of related debt)	9,020,711	8,751,232	4,882,656	5,617,381	13,903,367	14,368,613
Restricted	71,432	250,794	1,408,905	1,258,156	1,480,337	1,508,950
Unrestricted	<u>153,905</u>	<u>446,330</u>	<u>1,710,404</u>	<u>1,676,603</u>	<u>1,864,309</u>	<u>2,122,933</u>
Total Net Assets	<u>\$ 9,246,048</u>	<u>\$ 9,448,356</u>	<u>\$ 8,001,965</u>	<u>\$ 8,552,140</u>	<u>\$ 17,248,013</u>	<u>\$ 18,000,496</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year.

City of Ionia

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Revenues						
Program Revenues:						
Charges for Services	\$ 1,173,195	\$ 1,299,338	\$ 3,536,253	\$ 3,675,683	\$ 4,709,448	\$ 4,975,021
Operating Grants and Contributions	1,361,570	977,960	1,206,164	1,172,317	2,567,734	2,150,277
Capital Grants and Contributions	651,867	91,369	161,543	543,960	813,410	635,329
General Revenues:						
Property Taxes	681,141	867,991	69,026	70,515	750,167	938,506
Income Tax	1,596,311	1,721,606	-	-	1,596,311	1,721,606
State Shared Revenue	920,263	938,678	-	-	920,263	938,678
Investment Earnings	8,019	24,478	113,931	103,423	121,950	127,901
Miscellaneous	<u>192,641</u>	<u>242,921</u>	<u>624,950</u>	<u>182,641</u>	<u>817,591</u>	<u>425,562</u>
Total Revenues	6,585,007	6,164,341	5,711,867	5,748,539	12,296,874	11,912,880
Expenses						
General Government	1,801,926	1,797,486	-	-	1,801,926	1,797,486
Public Safety	2,477,640	1,799,558	-	-	2,477,640	1,799,558
Public Works	2,054,304	1,787,937	-	-	2,054,304	1,787,937
Health and Welfare	33,885	33,885	-	-	33,885	33,885
Community and Economic Develop.	81,758	41,578	-	-	81,758	41,578
Recreation and Cultural	490,271	472,311	-	-	490,271	472,311
Interest on long-term debt	211,170	91,552	-	-	211,170	91,552
Dial-A-Ride	-	-	745,241	732,823	745,241	732,823
Sewer System	-	-	2,014,401	2,111,515	2,014,401	2,111,515
Water System	-	-	1,815,604	1,999,802	1,815,604	1,999,802
Theatre	<u>-</u>	<u>-</u>	<u>284,536</u>	<u>291,950</u>	<u>284,536</u>	<u>291,950</u>
Total Expenses	7,150,954	6,024,307	4,859,782	5,136,090	12,010,736	11,160,397
Transfers	<u>64,826</u>	<u>62,274</u>	<u>64,826</u>	<u>(62,274)</u>	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) in Net Assets	(501,121)	202,308	787,259	550,175	286,138	752,483
Net Assets - Beginning	<u>9,747,169</u>	<u>9,246,048</u>	<u>7,214,706</u>	<u>8,001,965</u>	<u>16,961,875</u>	<u>17,248,013</u>
Net Assets - Ending	<u>\$ 9,246,048</u>	<u>\$ 9,448,356</u>	<u>\$ 8,001,965</u>	<u>\$ 8,552,140</u>	<u>\$ 17,248,013</u>	<u>\$ 18,000,496</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Governmental Activities:

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Changes in Net Assets shows that the Primary Governmental operations had an increase of net assets by a total of \$202,308. During the year, the governmental activities had excess depreciation over capital outlay of \$815,821. While depreciation expense does not affect cash, it does affect the capital assets.

Revenues: The three largest revenue categories were Income Taxes at 28%, Operating Grants and Contributions at 16%, and Charges for Services at 21%. The City implemented a City Income Tax in 1994. Residents (individual and business) pay 1% on net earnings, and Non-Residents pay ½%. The City reduced the City Charter authorized 15 Operating mills of property tax to 3 mills once the income tax was approved. The 3 mills of operating and the income taxes are not assigned to any particular activity.

Expenses: Public Works (roads and sidewalks) totaled \$1,787,937, or 30% of the total governmental activities expenses. General Government which includes fringe benefits (including Public Safety), administration, elections, code enforcement, trash pickup and building expenses was 30% of the total governmental activities expenses at \$1,797,486. Public Safety activities totaled \$1,799,558, or 30%, while Recreation and Cultural was \$472,311, or 8%.

Business-type Activities:

The Change in Net Assets for business-type activity shows an increase of \$550,175. This increase is partially due to an increase in connection fees due to new development in neighboring townships. The City does not fund Depreciation expense in order to keep user fees reasonable for residents. This approach does require the use of bonds and loans in order to pay for capital improvements to assets, which ultimately ties the cost of improvements to the users of the improvements.

FINANCIAL ANALYSIS OF THE CITY OF IONIA MAJOR FUNDS

As the City completed FY 06-07, its governmental funds reported *combined* increase in fund balances of \$457,303.

The net changes are summarized in the following chart:

	General Fund	Grant Projects	Nonmajor Governmental Funds
Fund Balance 6/30/06	\$ 358,910	\$ 69,351	\$ 125,240
Fund Balance 6/30/07	628,260	239,089	143,455
Net Change	\$ 269,350	\$ 169,738	\$ 18,215

General Fund: The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Council policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2007, the General Fund reported an unreserved fund balance of \$623,160. This amount is an increase of \$269,168 from the unreserved fund balance of \$353,992 reported as of June 30, 2006.

The General Fund FY 06-07 revenues exceeded expenditures by \$710,085. Transfers Out for use in the Recreation, Debt Services and Local Streets Funds utilized most of the budgeted excess.

General Fund Budgetary Highlights: General Fund revenues and other financing sources totaled \$4,454,527; \$42,308 more than the final amended budget. The difference is a 1% increase from the final budget. City expenditures and other financing uses totaled \$4,185,177; \$117,919 less than the final amended budget.

City of Ionia

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Capital (Grant) Projects: The Capital (Grant) Projects Fund received contributions from the Sewer Fund, Water Fund, and the Ionia Area Sewage Disposal System to finance various capital projects. The most significant expenditures for this fund for FY 06-07 were the Center, Pleasant, Summit, Stevens and Tower Street projects. These projects accounted for 47% of the total expenditures of the Capital (Grant) Projects Fund.

Dial-A-Ride: The Dial-A-Ride (DAR) fund had an increase to its net assets of \$338,461. DAR's operating revenues were \$4,872 more than last year. Operating Expenses decreased by \$12,418 from the previous year. The primary reason for the increase in net assets was due to the addition of the telecommunications tower.

Depreciation expense, of \$139,052 is a non-cash expense, which represents the reduction in the value of the facility and busses. Due to the nature of the DAR's capital improvement plan, this cost is not considered in the budget process because of the capital grants available through State and Federal Funding.

Water Fund: Net assets of the Water Fund decreased by \$85,170. The depreciation expense on capital assets for the year was \$535,974. The State of Michigan Department of Corrections is a major user of municipal water in the City and has committed to paying a significant portion of the outstanding water system debt service. Interest expense for the year increased by \$13,553. Transfers out increased significantly over the previous fiscal year with the cause of this increase being the transferring out of \$180,000 to the Ionia Theatre Fund. The \$180,000 is a portion of the \$300,000 community benefit fee paid by Wal-Mart and temporarily deposited in the Water Fund as the City evaluated options for the use of the funds.

Sewer Fund: The Sewer Fund had a decrease to its net assets of \$29,965. The depreciation expense on the capital assets for the year was \$82,723. As a major sewer user - the State of Michigan, Department of Corrections has committed to paying 69.44% of the debt on the 1976 & 1990 expansion of the treatment plant, which helps to keep rates at a reasonable level.

Each spring a rate study is completed to determine the usage and debt service fee required to meet the obligations of both the Water and Sewer Funds. The most recent rate study proposed an increase in both the commodity and debt service fee charged by the Water and Sewer Funds. Based on the study's recommendation, these charges were increased on July 1, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 06-07, the City had invested \$11,949,965 and \$24,320,577 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Accumulated depreciation was \$9,332,765 for the governmental activities and \$8,773,816 for the business-type activities. Depreciation charges for the fiscal year totaled \$1,058,739 for the governmental activities and \$796,387 for the business-type activities. For more detailed information related to capital assets, refer to Note F to the financial statements.

	Governmental Activities	Business-type Activities	TOTAL
Land	\$ 238,370	\$ 1,219,180	\$ 1,457,550
Construction in progress	-	299,528	299,528
Land Improvements, net	1,085,510	1,233	1,086,743
Buildings, net	800,856	-	800,856
Vehicles, net	1,017,563	119,231	1,136,794
Furniture/Other, net	1,429,592	2,633,996	4,063,588
Infrastructure, net	7,378,074	-	7,378,074
Structures and improvements	-	18,671,969	18,671,969
Capital Assets, net	<u>\$ 11,949,965</u>	<u>\$22,945,137</u>	<u>\$34,895,102</u>

City of Ionia

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Long-term Debt

As of June 30, 2007, the City had \$21,035,311 in bonds, notes and accumulated vacation and sick time outstanding for the primary government. Of this amount, \$19,423,677 is bonds, \$508,822 is sick and vacation, and \$1,102,812 is loans and notes (refer to Note G). This level of net obligation is \$556,650 less than the obligation recorded as of June 30, 2006.

Outstanding Debt and Debt Limit as of June 30, 2007:

	<u>2007</u>			
Direct Debt:				
State Equalized Valuation	\$ 139,236,813			
Plus Assessed Value of IFT Certificates	<u>15,742,880</u>			
Total Valuation	<u>\$ 154,979,693</u>			
DEBT LIMIT (10% of SEV)	\$ 18,015,699			
PRIMARY GOVERNMENT	<u>6/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2007</u>
Governmental Activities:				
* Bonds	\$ 2,905,000	\$ -	\$ 325,000	\$ 2,580,000
* Loans	840,075	-	221,342	618,733
DDA Bonds	5,020,000	-	715,000	4,305,000
* LDFA Loan	721,505	36,196	15,319	742,382
Accumulated Vacation & Sick	<u>456,794</u>	<u>265,525</u>	<u>314,099</u>	<u>408,220</u>
TOTAL Governmental Activities:	9,943,374	301,721	1,590,760	8,654,335
Business Type Activities				
* Loans	-	484,079	-	484,079
* Water & Sewer Bond	17,293,500	-	449,823	16,843,677
Accumulated Vacation & Sick	<u>96,592</u>	<u>35,173</u>	<u>29,937</u>	<u>101,828</u>
TOTAL Business Type Activities	<u>17,390,092</u>	<u>519,252</u>	<u>479,760</u>	<u>17,429,584</u>
TOTAL REPORTING ENTITY	27,333,466	\$ 820,973	\$ 2,070,520	26,083,919
* Less Bonds which are not included in Debt Margin	<u>(21,759,980)</u>			<u>(20,813,919)</u>
TOTAL DEBT LIMITED TO 10% OF SEV	<u>5,510,856</u>			<u>5,270,000</u>
Legal Debt Margin not currently utilized	<u>\$ 12,504,843</u>			<u>\$ 10,227,969</u>

(*) Bonds not included: Special Assessment Bond, Transportation Bonds, Revenue Bonds, Public Health Pollution Abatement, Installment Purchases

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Limitations on Debt:

State statute limits the City debt obligations to 10 percent of the current state equalized value (SEV) with deductions from the total debt for special assessments, revenue bonds, and transportation bonds. The City's SEV as of June 30, 2007 was \$154,979,693 therefore the City's debt limitation was \$15,497,969. The City remains below its legal debt limit by \$10,227,969 after adjusting the total debt of \$20.8 million by the bonds that are exempt from the calculations. The bonds that are currently outstanding represent a broad range of city-wide improvements to utilities, roads, equipment, street lights, and sidewalks. These capital projects replace outdated equipment and deteriorated infrastructure.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

Through sound financial processes, the City continues to provide high quality services to its residents while replacing aging infrastructure. Organizational changes implemented as part of the adoption of the FY 06-07 budget have assisted the City financially as sources of revenue from the State of Michigan remain stable yet stagnant. The City's budget control measures have been especially successful in assisting the General Fund in increasing its unrestricted fund balance. The finances of the utilities funds remain stable despite increased spending on projects that replace aging infrastructure. The City remains focused on reducing non-proprietary fund debt by paying debt down while not undertaking new non-utility capital projects.

Over the next few fiscal years, the City will continue its efforts to keep fund expenditures from increasing above the rate of inflation, improve City services while retiring outstanding debt and building fund reserves in many funds.

CONTACTING THE CITY OF IONIA

This financial report is designed to provide our readers with an overview of the City's finances. If there are questions about this report, please contact Robin Marhofer, Finance Director, at (616) 527-4170, extension 120 or via email: rmarhofer@ci.ionia.mi.us, or Jason Eppler, City Manager, at extension 223, or via email: jeppler@ci.ionia.mi.us.

BASIC FINANCIAL STATEMENTS

City of Ionia

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			
	Governmental Activities	Business- type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 953,933	\$ 985,553	\$ 1,939,486	\$ (290,284)
Receivables	376,538	748,146	1,124,684	10,148
Due from other governmental units	254,202	419,873	674,075	-
Inventory	-	5,350	5,350	-
Prepaid expenses	5,100	-	5,100	-
Internal balances	18,929	(18,929)	-0-	-
Total current assets	1,608,702	2,139,993	3,748,695	(280,136)
Noncurrent assets				
Cash and cash equivalents - restricted	-	989,985	989,985	-
Investments - restricted	-	15,000	15,000	-
Deposit with County	-	237,280	237,280	-
Due from other governmental units	-	133,175	133,175	-
Capital assets not being depreciated	238,370	1,518,708	1,757,078	375,256
Capital assets, net of accumulated depreciation	11,711,595	21,426,429	33,138,024	-
Total noncurrent assets	11,949,965	24,320,577	36,270,542	375,256
TOTAL ASSETS	13,558,667	26,460,570	40,019,237	95,120
LIABILITIES				
Current liabilities				
Accounts payable	306,159	191,972	498,131	6,429
Accrued liabilities	86,020	17,086	103,106	1,313
Accrued interest payable	70,849	187,722	258,571	33,749
Due to other governmental units	-	17,157	17,157	15,319
Deferred revenue	41,556	5,489	47,045	-
Current portion of compensated absences	101,749	25,458	127,207	307
Current portion of long-term debt	404,601	794,635	1,199,236	775,000
Total current liabilities	1,010,934	1,239,519	2,250,453	832,117
Noncurrent liabilities				
Customer deposits payable	-	59,396	59,396	-
Advance from State	-	24	24	-
Compensated absences	305,245	76,370	381,615	919
Noncurrent portion of long-term debt	2,794,132	16,533,121	19,327,253	4,272,382
Total noncurrent liabilities	3,099,377	16,668,911	19,768,288	4,273,301
TOTAL LIABILITIES	4,110,311	17,908,430	22,018,741	5,105,418
NET ASSETS				
Invested in capital assets, net of related debt	8,751,232	5,617,381	14,368,613	(3,929,744)
Restricted for:				
Debt service	-	900,876	900,876	-
Capital projects	-	237,280	237,280	-
Nonoperating expenses	-	120,000	120,000	-
Grant activities	239,089	-	239,089	-
Streets	11,705	-	11,705	-
Unrestricted	446,330	1,676,603	2,122,933	(1,080,554)
TOTAL NET ASSETS	\$ 9,448,356	\$ 8,552,140	\$ 18,000,496	\$ (5,010,298)

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

					Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 1,797,486	\$ 487,327	\$ -	\$ -	\$ (1,310,159)	\$ -	\$ (1,310,159)	\$ -
Public safety	1,799,558	526,860	300	90,146	(1,182,252)	-	(1,182,252)	-
Public works	1,787,937	209,407	877,634	1,223	(699,673)	-	(699,673)	-
Health and welfare	33,885	-	-	-	(33,885)	-	(33,885)	-
Community and economic development	41,578	-	30,676	-	(10,902)	-	(10,902)	-
Recreation and cultural	472,311	75,744	7,074	-	(389,493)	-	(389,493)	-
Interest on long-term debt	91,552	-	62,276	-	(29,276)	-	(29,276)	-
Total governmental activities	6,024,307	1,299,338	977,960	91,369	(3,655,640)	-0-	(3,655,640)	-0-
Business-type activities:								
Dial-a-ride	732,823	128,933	360,651	493,960	-	250,721	250,721	-
Sewer system	2,111,515	1,751,530	324,918	-	-	(35,067)	(35,067)	-
Water system	1,999,802	1,543,277	486,748	-	-	30,223	30,223	-
Theatre	291,950	251,943	-	50,000	-	9,993	9,993	-
Total business-type activities	5,136,090	3,675,683	1,172,317	543,960	-0-	255,870	255,870	-0-
Total primary government	<u>\$ 11,160,397</u>	<u>\$ 4,975,021</u>	<u>\$ 2,150,277</u>	<u>\$ 635,329</u>	(3,655,640)	255,870	(3,399,770)	-0-
Component units:								
Downtown Development Authority	\$ 638,988	\$ -	\$ -	\$ -	-	-	-0-	(638,988)
Local Development Finance Authority	37,096	-	-	-	-	-	-0-	(37,096)
Brownfield Redevelopment Authority	20,267	-	-	-	-	-	-0-	(20,267)
Total component units	<u>\$ 696,351</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(696,351)
General revenues:								
Property taxes					867,991	70,515	938,506	1,395,181
Income taxes					1,721,606	-	1,721,606	-
State shared revenue					938,678	-	938,678	-
Investment earnings					24,478	103,423	127,901	5,701
Miscellaneous					242,921	171,760	414,681	12,881
Gain on sale of capital assets					-	10,881	10,881	-
Transfers					62,274	(62,274)	-0-	-
Total general revenues and transfers					3,857,948	294,305	4,152,253	1,413,763
Change in net assets					202,308	550,175	752,483	717,412
Net assets, beginning of the year					9,246,048	8,001,965	17,248,013	(5,727,710)
Net assets, end of the year					\$ 9,448,356	\$ 8,552,140	\$ 18,000,496	\$ (5,010,298)

See accompanying notes to financial statements.

City of Ionia

GOVERNMENTAL BALANCE SHEET

June 30, 2007

	General	Grant Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 497,442	\$ 233,723	\$ 88,406	\$ 819,571
Receivables				
Taxes	193,648	-	12,892	206,540
Accounts	97,358	-	32,069	129,427
Special assessments	15,739	-	-	15,739
Due from other funds	33,549	18,929	-	52,478
Due from other governmental units				
State	140,609	-	96,104	236,713
Local	17,489	-	-	17,489
Prepays	5,100	-	-	5,100
TOTAL ASSETS	\$ 1,000,934	\$ 252,652	\$ 229,471	\$ 1,483,057
LIABILITIES				
Accounts payable	\$ 257,124	\$ 13,563	\$ 27,313	\$ 298,000
Accrued wages	54,476	-	10,890	65,366
Other accrued liabilities	16,671	-	1,372	18,043
Due to other funds	-	-	33,549	33,549
Deferred revenue	44,403	-	12,892	57,295
TOTAL LIABILITIES	372,674	13,563	86,016	472,253
FUND EQUITY				
Fund balances				
Reserved for				
Debt service	-	-	4,377	4,377
Prepays	5,100	-	-	5,100
Grant activity	-	239,089	-	239,089
Unreserved				
Undesignated, reported in:				
General fund	623,160	-	-	623,160
Special revenue funds	-	-	49,257	49,257
Capital project funds	-	-	89,821	89,821
TOTAL FUND EQUITY	628,260	239,089	143,455	1,010,804
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,000,934	\$ 252,652	\$ 229,471	\$ 1,483,057

See accompanying notes to financial statements.

City of Ionia

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balance - governmental funds \$ 1,010,804

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 21,282,730	
Accumulated depreciation is	<u>(9,332,765)</u>	
Capital assets, net		11,949,965

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	680,865	
Net capital assets of Internal Service Funds included in total capital assets above	(660,317)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>127,876</u>	
		148,424

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue		15,739
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds, loans, and notes payable	3,198,733	
Accrued interest payable	70,849	
Compensated absences	<u>406,994</u>	
		<u>(3,676,576)</u>

Net assets of governmental activities \$ 9,448,356

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2007

	General	Grant Projects	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES				
Taxes	\$ 2,112,636	\$ -	\$ 476,961	\$ 2,589,597
Licenses and permits	12,549	-	-	12,549
Intergovernmental	1,066,573	196,247	743,664	2,006,484
Charges for services	896,593	-	276,651	1,173,244
Fines and forfeits	42,740	-	-	42,740
Interest and rents	85,333	-	12,834	98,167
Other	203,559	-	42,668	246,227
TOTAL REVENUES	4,419,983	196,247	1,552,778	6,169,008
EXPENDITURES				
Current				
General government	1,684,005	-	-	1,684,005
Public safety	1,669,016	-	-	1,669,016
Public works	65,481	-	1,030,899	1,096,380
Health and welfare	33,885	-	-	33,885
Community and economic development	41,578	-	-	41,578
Recreation and cultural	47,436	-	304,724	352,160
Capital outlay	-	1,852,557	241,986	2,094,543
Debt service	168,497	-	486,985	655,482
TOTAL EXPENDITURES	3,709,898	1,852,557	2,064,594	7,627,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	710,085	(1,656,310)	(511,816)	(1,458,041)
OTHER FINANCING SOURCES (USES)				
Transfers in	34,544	1,826,048	658,175	2,518,767
Transfers out	(475,279)	-	(128,144)	(603,423)
TOTAL OTHER FINANCING SOURCES (USES)	(440,735)	1,826,048	530,031	1,915,344
NET CHANGE IN FUND BALANCES	269,350	169,738	18,215	457,303
Fund balances, beginning of year	358,910	69,351	125,240	553,501
Fund balances, end of year	\$ 628,260	\$ 239,089	\$ 143,455	\$ 1,010,804

See accompanying notes to financial statements.

City of Ionia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balances - total governmental funds **\$ 457,303**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (1,058,739)	
Capital outlay	<u>242,918</u>	
Excess of depreciation expense over capital outlay		(815,821)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

(Decrease) in Net Assets of Internal Service Funds	(12,466)	
Depreciation expense of Internal Service Funds included in the total above	116,107	
Capital outlay of Internal Service Funds included in the total above	(149,978)	
Change in long-term liabilities of Internal Service Funds included in the totals below	<u>(79,240)</u>	(125,577)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement		546,342
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,667)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	94,928	
Decrease in accrued compensated absences	<u>49,800</u>	
		<u>144,728</u>

Change in net assets of governmental activities **\$ 202,308**

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2007

	Business-type		
	Dial-A-Ride	Sewer System	Water System
ASSETS			
Current assets			
Cash and cash equivalents	\$ 279,327	\$ (48,473)	\$ 572,944
Accounts receivable	-	200,371	542,286
Taxes receivable	5,489	-	-
Due from other governmental units			
Federal	261,955	-	-
State	31,792	120,632	-
Local	-	5,494	-
Inventory	-	-	5,350
Total current assets	578,563	278,024	1,120,580
Noncurrent assets			
Cash and cash equivalents - restricted	-	-	989,985
Investments - restricted	-	15,000	-
Deposits with County	-	89,307	147,973
Due from other governmental units	133,175	-	-
Capital assets not being depreciated	25,000	502,225	697,728
Capital assets, net of accumulated depreciation	1,407,511	4,660,163	15,075,557
Total noncurrent assets	1,565,686	5,266,695	16,911,243
TOTAL ASSETS	2,144,249	5,544,719	18,031,823
LIABILITIES			
Current liabilities			
Accounts payable	12,969	15,256	78,815
Accrued interest payable	-	98,613	89,109
Accrued wages	7,853	2,209	4,669
Other accrued liabilities	601	175	421
Due to other funds	18,929	-	-
Due to other governmental units - local	-	17,157	-
Deferred revenue	5,489	-	-
Current portion of accrued vacation and sick pay	16,116	4,345	4,997
Current portion of long-term debt	115,708	81,750	597,177
Total current liabilities	177,665	219,505	775,188
Noncurrent liabilities			
Customer deposits payable	-	-	59,396
Advance from State	24	-	-
Accrued vacation and sick pay	48,348	13,033	14,989
Bonds and notes payable	368,371	4,302,250	11,862,500
Total noncurrent liabilities	416,743	4,315,283	11,936,885
TOTAL LIABILITIES	594,408	4,534,788	12,712,073
NET ASSETS			
Invested in capital assets, net of related debt	948,432	778,388	3,313,608
Restricted for debt service	-	-	900,876
Restricted for capital projects	-	89,307	147,973
Restricted for nonoperating expenses	-	-	120,000
Unrestricted	601,409	142,236	837,293
TOTAL NET ASSETS	<u>\$ 1,549,841</u>	<u>\$ 1,009,931</u>	<u>\$ 5,319,750</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 181,755	\$ 985,553	\$ 134,362
-	742,657	24,832
-	5,489	-
-	261,955	-
-	152,424	-
-	5,494	-
-	5,350	-
181,755	2,158,922	159,194
-	989,985	-
-	15,000	-
-	237,280	-
-	133,175	-
293,755	1,518,708	-
283,198	21,426,429	660,317
576,953	24,320,577	660,317
758,708	26,479,499	819,511
84,932	191,972	8,159
-	187,722	3,884
1,076	15,807	2,360
82	1,279	251
-	18,929	-
-	17,157	-
-	5,489	-
-	25,458	2,763
-	794,635	64,601
86,090	1,258,448	82,018
-	59,396	-
-	24	-
-	76,370	8,288
-	16,533,121	48,340
-0-	16,668,911	56,628
86,090	17,927,359	138,646
576,953	5,617,381	547,376
-	900,876	-
-	237,280	-
-	120,000	-
95,665	1,676,603	133,489
\$ 672,618	\$ 8,552,140	\$ 680,865

City of Ionia

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS

Year Ended June 30, 2007

	Business-type		
	Dial-A-Ride	Sewer System	Water System
OPERATING REVENUES			
Charges for services	\$ 128,933	\$ 1,751,530	\$ 1,543,277
Equipment rental	-	-	-
TOTAL OPERATING REVENUES	128,933	1,751,530	1,543,277
OPERATING EXPENSES			
Administrative	94,049	69,586	200,271
Operations	463,625	117,234	249,841
Well field	-	-	313,256
Treatment plant	-	1,127,894	-
Maintenance	36,097	126,238	101,598
Maintenance on hydrants	-	-	8,872
Depreciation	139,052	82,723	535,974
TOTAL OPERATING EXPENSES	732,823	1,523,675	1,409,812
OPERATING INCOME (LOSS)	(603,890)	227,855	133,465
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	5,801	20,448	70,244
Taxes	70,515	-	-
Intergovernmental			
Federal	122,908	-	-
State	226,868	324,918	486,748
Local	10,875	-	-
Gain on sale of assets	10,881	-	-
Other revenue	543	15,791	25,500
Interest expense	-	(587,840)	(589,990)
TOTAL NONOPERATING REVENUES (EXPENSES)	448,391	(226,683)	(7,498)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(155,499)	1,172	125,967
CAPITAL CONTRIBUTIONS			
Federal	493,816	-	-
State	144	-	-
TOTAL CAPITAL CONTRIBUTIONS	493,960	-0-	-0-
TRANSFERS			
Transfers in	-	-	-
Transfers out	-	(31,137)	(211,137)
TOTAL TRANSFERS	-0-	(31,137)	(211,137)
CHANGE IN NET ASSETS	338,461	(29,965)	(85,170)
Net assets, beginning of year	1,211,380	1,039,896	5,404,920
Net assets, end of year	\$ 1,549,841	\$ 1,009,931	\$ 5,319,750
See accompanying notes to financial statements.			

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 251,943	\$ 3,675,683	\$ 505,799
-	-0-	413,983
251,943	3,675,683	919,782
-	363,906	73,042
253,312	1,084,012	721,817
-	313,256	-
-	1,127,894	-
-	263,933	-
-	8,872	-
38,638	796,387	116,107
291,950	3,958,260	910,966
(40,007)	(282,577)	8,816
6,930	103,423	3,877
-	70,515	-
-	122,908	-
50,000	1,088,534	-
-	10,875	-
-	10,881	7,502
129,926	171,760	1,580
-	(1,177,830)	(7,219)
186,856	401,066	5,740
146,849	118,489	14,556
-	493,816	-
-	144	-
-0-	493,960	-0-
180,000	180,000	-
-	(242,274)	(27,022)
180,000	(62,274)	(27,022)
326,849	550,175	(12,466)
345,769	8,001,965	693,331
\$ 672,618	\$ 8,552,140	\$ 680,865

City of Ionia

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

June 30, 2007

	Business-type		
	Dial-A-Ride	Sewer System	Water System
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 127,058	\$ 1,726,236	\$ 1,453,480
Other operating cash receipts	-	726,355	830,360
Cash paid to suppliers	(185,091)	(1,457,355)	(860,693)
Cash paid for employee benefits	(288,585)	(22,905)	(57,156)
Cash paid to employees	(105,544)	(45,797)	(107,922)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(452,162)	926,534	1,258,069
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other nonoperating revenues	543	15,791	25,500
Taxes	70,515	-	-
Intergovernmental sources	339,776	324,918	486,748
Transfers in	-	-	-
Transfers out	-	(31,137)	(211,137)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	410,834	309,572	301,111
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(503,007)	(604,124)	(779,911)
Capital contributions	138,861		
Interest expense	-	(587,840)	(589,990)
Bond and note proceeds	484,079	-	-
Proceeds from sale of equipment	10,881	-	-
Principal payments	-	(24,500)	(425,323)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	130,814	(1,216,464)	(1,795,224)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	5,801	20,448	70,244
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,287	40,090	(165,800)
Cash and cash equivalents, beginning of year	184,040	(88,563)	1,728,729
Cash and cash equivalents, end of year	<u>\$ 279,327</u>	<u>\$ (48,473)</u>	<u>\$ 1,562,929</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ 251,943	\$ 3,558,717	\$ 929,163
-	1,556,715	-
(140,471)	(2,643,610)	(286,557)
(3,119)	(371,765)	(30,382)
(38,768)	(298,031)	(477,431)
69,585	1,802,026	134,793
129,926	171,760	1,580
-	70,515	-
50,000	1,201,442	-
180,000	180,000	-
-	(242,274)	(27,022)
359,926	1,381,443	(25,442)
(260,014)	(2,147,056)	(149,978)
-	(1,177,830)	(7,219)
-	484,079	-
-	10,881	7,502
-	(449,823)	(77,340)
(260,014)	(3,279,749)	(227,035)
6,930	103,423	3,877
176,427	7,143	(113,807)
5,328	1,829,534	248,169
<u>\$ 181,755</u>	<u>\$ 1,836,677</u>	<u>\$ 134,362</u>

City of Ionia

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended June 30, 2007

	Business-type		
	Dial-A-Ride	Sewer System	Water System
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (603,890)	\$ 227,855	\$ 133,465
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	139,052	82,723	535,974
(Increase) decrease in receivables	(393)	(12,528)	15,495
(Increase) in due from other governmental units	-	(12,766)	-
Decrease in prepaid expenses	838	-	-
Decrease in inventory	-	-	25,809
Decrease in deposits with County	-	726,355	830,360
Increase (decrease) in accounts payable	(6,599)	8,828	(6,932)
Increase (decrease) in accrued interest payable	-	10,937	(42,917)
Increase (decrease) in due to other funds	18,236	(117,099)	(134,867)
Increase in accrued wages	225	2,125	3,828
Increase in accrued liabilities	17	169	357
Increase (decrease) in accrued vacation and sick	1,834	613	2,789
Increase in due to other governmental units	-	9,322	-
(Decrease) in deferred revenue	(1,482)	-	(100,574)
(Decrease) in customer deposits	-	-	(4,718)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (452,162)</u>	<u>\$ 926,534</u>	<u>\$ 1,258,069</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Business-type Fund (Theatre)	Total	Internal Service (Central Garage)
\$ (40,007)	\$ (282,577)	\$ 8,816
38,638	796,387	116,107
-	2,574	9,381
-	(12,766)	-
-	838	-
-	25,809	-
-	1,556,715	-
70,930	66,227	1,695
-	(31,980)	-
-	(233,730)	-
23	6,201	580
1	544	114
-	5,236	(1,900)
-	9,322	-
-	(102,056)	-
-	(4,718)	-
<u>\$ 69,585</u>	<u>\$ 1,802,026</u>	<u>\$ 134,793</u>

City of Ionia

STATEMENT OF NET ASSETS - FIDUCIARY FUND

June 30, 2007

	Current Tax Collection Fund
ASSETS	
Cash	<u>\$ 2,957</u>
LIABILITIES	
Undistributed taxes	<u>\$ 2,957</u>

See accompanying notes to financial statements.

City of Ionia

COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ (309,956)	\$ 19,487	\$ 185	\$ (290,284)
Receivables	10,148	-	-	10,148
Total current assets	(299,808)	19,487	185	(280,136)
Noncurrent assets				
Capital assets not being depreciated	375,256	-	-	375,256
TOTAL ASSETS	75,448	19,487	185	95,120
LIABILITIES				
Current liabilities				
Accounts payable	2,268	4,161	-	6,429
Due to other governmental units	-	15,319	-	15,319
Other accrued liabilities	1,313	-	-	1,313
Accrued interest payable	33,749	-	-	33,749
Current portion of compensated absences	307	-	-	307
Current portion of long-term debt	775,000	-	-	775,000
Total current liabilities	812,637	19,480	-0-	832,117
Noncurrent liabilities				
Compensated absences	919	-	-	919
Noncurrent portion of long-term debt	3,530,000	742,382	-	4,272,382
Total noncurrent liabilities	3,530,919	742,382	-0-	4,273,301
TOTAL LIABILITIES	4,343,556	761,862	-0-	5,105,418
NET ASSETS				
Invested in capital assets, net of related debt	(3,929,744)	-	-	(3,929,744)
Unrestricted	(338,364)	(742,375)	185	(1,080,554)
TOTAL NET ASSETS	\$ (4,268,108)	\$ (742,375)	\$ 185	\$ (5,010,298)

See accompanying notes to financial statements.

City of Ionia

STATEMENT OF ACTIVITIES - COMPONENT UNITS

Year Ended June 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total Component Units
Program Expenses				
Community and economic development	\$ 412,297	\$ 900	\$ 20,267	\$ 433,464
Interest on long-term debt	226,691	36,196	-	262,887
TOTAL PROGRAM EXPENSES	638,988	37,096	20,267	696,351
General Revenues				
Property taxes	1,370,978	3,936	20,267	1,395,181
Interest	4,913	603	185	5,701
Miscellaneous	12,881	-	-	12,881
TOTAL GENERAL REVENUES	1,388,772	4,539	20,452	1,413,763
CHANGE IN NET ASSETS	749,784	(32,557)	185	717,412
Net assets, beginning of the year	(5,017,892)	(709,818)	-	(5,727,710)
Net assets, end of the year	<u>\$ (4,268,108)</u>	<u>\$ (742,375)</u>	<u>\$ 185</u>	<u>\$ (5,010,298)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ionia is located in Ionia County, Michigan and has a population of approximately 10,000. The City of Ionia operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has eight (8) City Council members who are elected from the City's four (4) wards for overlapping four (4) year terms, and a Mayor and City Clerk who are elected at large for four (4) year terms. The Council appoints the City Manager, Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Ionia (primary government) and the Downtown Development Authority, Local Development Finance Authority, and Brownfield Redevelopment Authority (component units).

The component unit columns in the basic financial statements include the financial data of the City's component units (Downtown Development Authority, Local Development Finance Authority, and Brownfield Redevelopment Authority). They are reported in a separate column to emphasize that they are legally separate from the City.

The governing bodies of the Downtown Development Authority, Local Development Finance Authority, and Brownfield Redevelopment Authority are appointed by the City Council, their budgets are subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authorities (tax increment revenues), and the City has pledged its full faith and credit towards payment of the Component Units' debt.

The financial statements of the Ionia Building Authority have been blended with the City's Debt Service and Capital Projects Funds.

Based upon the application of these criteria, the basic financial statements of the City of Ionia contain all the funds controlled by the City Council other than the Ionia Housing Commission fund.

The Ionia Housing Commission is a component unit that was established by City Council to provide low rent housing. The financial activity has not been included as part of the City's financial statements in accordance with the provisions of Michigan Committee on Governmental Accounting and Auditing Statement No. 5.

The most recent audited financial statements for the Ionia Housing Commission are for the year ended September 30, 2006. Total assets, liabilities, and equity as of September 30, 2006, were \$4,529,572, \$98,679, and \$4,430,893, respectively. Total revenues, expenses, and net increase in equity were \$800,830, \$715,730, and \$85,100, respectively.

2. Joint Venture

The City participates in the following activity, which is considered to be a joint venture in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**2. Joint Venture - continued**

Ionia Area Sewage Disposal System - The City of Ionia, along with the Townships of Easton, Ionia, Berlin, and Orange have entered into an agreement with the County of Ionia, which created the Ionia Area Sewage Disposal System (SDS). The purpose of the SDS is to construct, improve, enlarge, extend, operate, and maintain all sanitary sewers, storm sewers, combined sanitary and storm sewers, plants, and works used in connection with the collection, treatment, or disposal of sewage for the benefit of the constituent municipalities.

The City of Ionia operates, administers, and maintains the SDS on behalf of the County and Townships. The annual budget of the SDS is prepared by the City and adopted by City Council. The proposed budget and allocation of costs are submitted to the County and Townships at least sixty (60) days prior to the beginning of each fiscal year. The Townships have thirty (30) days to advise the City of any objections to the proposed budget and allocations. Objections that cannot be resolved are brought before a review board consisting of one (1) appointed member from each constituent municipality and the County Board of Public Works. All actions of the review board are made by a majority vote.

The allocation of costs of the SDS to the constituent municipalities is based on usage of the system as measured by billable flow. During 1996, the City began to directly bill Ionia Township SDS customers. As a result, the City's allocation of costs includes the portion of costs that had been charged to Ionia Township in the past. On December 1, 2001, the City began to directly bill Easton Township SDS customers for operating costs and fixed asset reserves. As a result, the City's allocation of costs includes a portion of costs that would have been charged to Easton Township in the past. The Township continues to make contributions to SDS to fund their portion of the debt service requirements. For the year ended June 30, 2007, the City contributed \$1,126,762 to cover the City's and Townships' share of operational costs and \$394,087 to cover the City's and Townships' share of principal and interest portions of long-term debt issued by the County for the benefit of the SDS.

Funding of operating costs and the capital asset reserve as based on annual participant usage is currently as follows:

City of Ionia	92.68%
Ionia Township	4.03%
Berlin Township	3.29%

Funding of debt service as based on annual participant usage is currently as follows:

City of Ionia	88.71%
Ionia Township	4.49%
Berlin Township	3.54%
Easton Township	3.26%

The City has not recorded an asset in the Enterprise Fund Type related to SDS due to not having documented an "equity interest" in SDS for accounting purposes. To document an "equity interest", the City would need to document an explicit, measurable right to the net resources of SDS.

The financial activities of the SDS are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2007 are available at the City's administrative offices. The following financial information is a summary of the activity for the year ended June 30, 2007:

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED2. Joint Venture - continued

Total assets	\$11,802,061
Total liabilities	3,571,448
Total net assets	8,230,613
Total operating revenue	1,187,666
Total nonoperating revenues	479,348
Total operating expenses	1,395,512
Total nonoperating expenses	163,413
Change in net assets	108,089

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Grant Projects Fund is used to account for grant funded capital projects.
- c. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

- e. The Dial-A-Ride Fund is used to account for the operations to provide public transportation services to residents of the City of Ionia and the greater Ionia area.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City Department heads present proposed departmental operating expenditure budgets to the City Manager for the fiscal year commencing the following July 1.
- b. The City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- c. A Public Hearing is conducted to obtain taxpayers' comments.
- d. Prior to July 1, the budget is legally enacted through passage of resolution.
- e. The budget is legally adopted at the total expenditure level for all funds; however, they are maintained at the account level for control purposes. The City Manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

7. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and pooled investment accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at cost, which approximates market value.

8. Property Tax

The City of Ionia bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Ionia on July 1 and December 1 and are payable without penalty through July 31 and February 14, respectively. The July 1 levy is composed of the City's millage, 2/3 of the County's millage, special assessments, and school taxes. The December 1 levy is composed of 1/3 of the County's millage and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Ionia County Treasurer for collection. The Ionia County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Tax Account Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Property Tax - continued

The City is permitted by City Charter to levy taxes up to 15 mills (\$15 per \$1,000 of taxable valuation) for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2007, the City levied 3.00 mills per \$1,000 of taxable valuation for general governmental services. In addition, the City levied 1.20 mills for public safety, 2.00 mills for environmental clean-up debt service, 1.70 mills for Waste Management, .7492 mills for Dial-A-Ride services, and 2.00 mills for the Downtown Development Authority.

9. Income Tax Revenues

In accordance with GASB Statement No. 22, *Accounting for Taxpayer - Assessed Tax Revenues in Governmental Funds*, the City has recognized taxpayer-assessed taxes, net of estimated refunds, as revenue in the accounting period in which they become susceptible to accrual (i.e., measurable and available to finance expenditures of the fiscal period). The City has calculated this amount based on the income tax collections and refunds made within 60 days after year-end that relate to the prior years.

In 1994, the residents of the City voted for an income tax in an effort to reduce the millage levied for property taxes. As a result, the millage levied for governmental services was reduced significantly down to 3.0000 mills.

10. Inventories

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventories in the Enterprise Funds consist of operating materials and supplies, which are stated at cost on a first-in/first-out basis.

11. Accrued Vacation and Sick Leave

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with more than one (1) year of service is paid for accumulated vacation days, with certain groups of employees only being able to accumulate up to the equivalent of twenty-one (21) days of vacation. Upon termination employees with more than six (6) months of service are paid for one-half of accumulated sick leave, not to exceed 480 hours.

The cost of the accumulated vacation, including related payroll taxes, is recorded entirely in the government-wide financial statements.

12. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers.

The Internal Service Fund (Central Garage) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**13. Capital Assets****PRIMARY GOVERNMENT AND COMPONENT UNITS**

Capital assets include land and improvements, buildings, furniture and equipment, vehicles, and infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Structures and improvements	20 - 75 years
Machinery, furniture, and equipment	5 - 50 years
Vehicles	5 years
Infrastructure	20 - 30 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

16. Federal Programs

Federal programs are accounted for in the General, Capital Projects, and Enterprise Funds. The City was required to have a Single Audit under OMB Circular A-133 because expenditures of Federal award programs administered by the City exceeded the necessary threshold. The single audit reports are issued under separate cover.

NOTE B: POOLING OF CASH AND CASH EQUIVALENTS

The City's governmental funds balance sheet and statement of net assets reflect cash and cash equivalents with a negative balance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: POOLING OF CASH AND CASH EQUIVALENTS - CONTINUED

Cash disbursed in excess of amounts recorded as assets as of June 30, 2007, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(1,355,792)	\$ 1,853,234	\$ 497,442
Special Revenue Funds			
Major Street	(58,415)	-	(58,415)
Local Street	(10,592)	-	(10,592)
Debt Service Fund			
Skyview/Gregmark	(1,283)	1,358	75
Capital Projects Funds			
Building Authority	(50,116)	59,696	9,580
Enterprise Funds			
Sewer System	(48,473)	-	(48,473)
COMPONENT UNIT			
Downtown Development Authority	(309,956)	-	(309,956)

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City deposits consist of a common checking account and various savings accounts, checking accounts, pooled investment accounts, and certificates of deposit maintained by individual funds and are reported as cash and cash equivalents and investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- The United States government or federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2007, the carrying amounts and bank balance for each type of account as reported in the cash, cash equivalents, and investments caption in the basic financial statements are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$(2,280)	\$ 367,684
Savings and money markets	610,193	610,195
Certificates of deposit	<u>632,549</u>	<u>632,522</u>
	<u>\$ 1,240,462</u>	<u>\$ 1,610,401</u>

The cash and cash equivalents reported in the basic financial statements include \$1,050 in imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2007, the City accounts were insured by the FDIC and NCUA for \$313,728 and the amount of \$1,296,673 was uninsured and uncollateralized.

Investments

As of June 30, 2007, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Federal Home Loan Mortgage Corporation	\$ 732,335	\$ 732,335	13 months
Uncategorized pooled investment	<u>683,297</u>	<u>711,820</u>	< 12 months average
	<u>\$ 1,415,632</u>	<u>\$ 1,444,155</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2007, the City's investments were rated AAA by Standard and Poor's.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDInterest rate risk - continued

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the types of securities listed in the "Authorized Investments" section; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with the "Authorized Institutions" section; and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2007.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,939,486	\$(290,284)	\$ 2,957	\$ 1,652,159
Cash and cash equivalents - restricted	989,985	-	-	989,985
Investment - restricted	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
	<u>\$ 2,944,471</u>	<u>\$(290,284)</u>	<u>\$ 2,957</u>	<u>\$ 2,657,144</u>

The amounts identified above include Enterprise Fund restricted cash and investments of \$989,985 and \$15,000, respectively, as of June 30, 2007, to be used to fund Water System and Sewer System improvements and bond and interest redemption.

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at June 30, 2007:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 33,549</u>
Due to Grant Projects Fund from:	
Dial-A-Ride	<u>\$ 18,929</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds and component units have been eliminated.

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: INTERFUND TRANSFERS

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 34,544
Transfers to nonmajor governmental funds from:	
General Fund	\$ 475,279
Sewer System Fund	31,137
Water System Fund	31,137
Nonmajor governmental funds	93,600
Internal Service Fund	<u>27,022</u>
	<u>\$ 658,175</u>
Transfers to nonmajor business-type funds from:	
Water System Fund	<u>\$ 180,000</u>

The Enterprise Funds' have recorded transfers to the Grants Project Fund of \$1,826,048 for purposes of funding capital projects as construction in progress or capital assets.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 238,370	\$ -	\$ -	\$ 238,370
Capital assets being depreciated				
Land improvements	2,073,099	-	-	2,073,099
Buildings	1,187,478	-	-	1,187,478
Vehicles	3,402,191	216,282	-	3,618,473
Furniture and equipment	2,411,487	26,636	-	2,438,123
Infrastructure	<u>11,727,187</u>	<u>-</u>	<u>-</u>	<u>11,727,187</u>
Subtotal	20,801,442	242,918	-0-	21,044,360
Accumulated depreciation				
Land improvements	(880,666)	(106,923)	-	(987,589)
Buildings	(342,228)	(44,394)	-	(386,622)
Vehicles	(2,366,182)	(234,728)	-	(2,600,910)
Furniture and equipment	(896,339)	(112,192)	-	(1,008,531)
Infrastructure	<u>(3,788,611)</u>	<u>(560,502)</u>	<u>-</u>	<u>(4,349,113)</u>
Subtotal	<u>(8,274,026)</u>	<u>(1,058,739)</u>	<u>-0-</u>	<u>(9,332,765)</u>
Net capital assets being depreciated	<u>12,527,416</u>	<u>(815,821)</u>	<u>-0-</u>	<u>11,711,595</u>
Total net capital assets	<u>\$ 12,765,786</u>	<u>\$ (815,821)</u>	<u>\$ -0-</u>	<u>\$ 11,949,965</u>

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to the following governmental activities:

General government	\$ 140,763
Public safety	223,482
Public works	574,343
Recreation and cultural	<u>120,151</u>
Total Depreciation Expense	<u>\$ 1,058,739</u>

	Balance July 1, 2006	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2007
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 3,472,578	\$ 1,422,260	\$(4,595,310)	\$ 299,528
Land	<u>1,219,180</u>	<u>-</u>	<u>-</u>	<u>1,219,180</u>
Subtotal	4,691,758	1,422,260	(4,595,310)	1,518,708
Capital assets being depreciated				
Land improvements	8,565	-	-	8,565
Structures and improvements	18,397,243	4,595,310	-	22,992,553
Machinery, furniture, and equipment	5,738,136	724,796	-	6,462,932
Vehicles	<u>881,054</u>	<u>-</u>	<u>(144,859)</u>	<u>736,195</u>
Subtotal	25,024,998	5,320,106	(144,859)	30,200,245
Less accumulated depreciation				
Land improvements	(7,142)	(190)	-	(7,332)
Structures and improvements	(3,802,588)	(517,996)	-	(4,320,584)
Machinery, furniture, and equipment	(3,627,920)	(201,016)	-	(3,828,936)
Vehicles	<u>(684,638)</u>	<u>(77,185)</u>	<u>144,859</u>	<u>(616,964)</u>
Subtotal	<u>(8,122,288)</u>	<u>(796,387)</u>	<u>144,859</u>	<u>(8,773,816)</u>
Net capital assets being depreciated	<u>16,902,710</u>	<u>4,523,719</u>	<u>-0-</u>	<u>21,426,429</u>
Total net capital assets	<u>\$ 21,594,468</u>	<u>\$ 5,945,979</u>	<u>\$(4,595,310)</u>	<u>\$ 22,945,137</u>
Component Units				
Capital Assets Not Being Depreciated				
Land	<u>\$ 375,256</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 375,256</u>

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2007.

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Environmental Bonds	\$ 655,000	\$ -	\$ 40,000	\$ 615,000	\$ 40,000
Building Authority Bonds - 1992	110,000	-	55,000	55,000	55,000
Building Authority Bonds - 2001	875,000	-	25,000	850,000	25,000
General Obligation Tax Bonds - 2002	115,000	-	55,000	60,000	60,000
Transportation Bonds	650,000	-	50,000	600,000	50,000
Special Assessment Bonds	500,000	-	100,000	400,000	100,000
Streetlight project loan	30,257	-	30,257	-0-	-
Equipment Notes	619,537	-	113,745	505,792	10,000
Accumulated vacation and sick	<u>443,843</u>	<u>209,152</u>	<u>257,052</u>	<u>395,943</u>	<u>98,986</u>
	3,998,637	209,152	726,054	3,481,735	438,986
Dial-A-Ride Fund					
2006 Infrastructure loan	-	484,079	-	484,079	115,708
Accumulated vacation and sick	62,630	31,771	29,937	64,464	16,116
Water System Fund					
1999 Water Supply Revenue Refunding Bonds	6,300,000	-	360,323	5,939,677	439,677
2001 Water and Sewer Improvement Bonds	2,145,000	-	65,000	2,080,000	97,500
2004 Water and Sewer Improvement Bonds	2,100,000	-	-	2,100,000	37,500
2005 Water and Sewer Improvement Bonds	1,665,000	-	-	1,665,000	11,250
2006 Water and Sewer Improvement Bonds	675,000	-	-	675,000	11,250
Accumulated vacation and sick	17,197	2,789	-	19,986	4,997
Sewer System Fund					
2001 Water and Sewer Improvement Bonds	808,500	-	24,500	784,000	36,750
2004 Water and Sewer Improvement Bond	1,260,000	-	-	1,260,000	22,500
2005 Water and Sewer Improvement Bonds	1,665,000	-	-	1,665,000	11,250
2006 Water and Sewer Improvement Bonds	675,000	-	-	675,000	11,250
Accumulated vacation and sick	<u>16,765</u>	<u>613</u>	<u>-</u>	<u>17,378</u>	<u>4,345</u>
	17,390,092	519,252	479,760	17,429,584	820,093

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
PRIMARY GOVERNMENT - CONTINUED					
Internal Service Fund					
Central Garage					
1999 Sewer basin truck loan	\$ 14,347	\$ -	\$ 14,347	\$ -0-	\$ -
2003 Street sweeper loan	64,517	-	20,644	43,873	21,610
2004 Dump truck loan	36,069	-	18,212	17,857	17,857
2006 Equipment note	75,348	-	24,137	51,211	25,134
Accumulated vacation and sick	12,951	53,584	55,484	11,051	2,763
	<u>203,232</u>	<u>53,584</u>	<u>132,824</u>	<u>123,992</u>	<u>67,364</u>
TOTAL PRIMARY GOVERNMENT	21,591,961	781,988	1,338,638	21,035,311	1,326,443
COMPONENT UNITS					
Downtown Development Authority					
1997 General Obligation Refunding Bonds	1,790,000	-	410,000	1,380,000	460,000
1998 General Obligation Refunding Bonds	3,230,000	-	305,000	2,925,000	315,000
Accumulated vacation and sick	-	2,789	1,563	1,226	307
	<u>5,020,000</u>	<u>2,789</u>	<u>716,563</u>	<u>4,306,226</u>	<u>775,307</u>
Local Development Finance Authority					
SDS loan payable	<u>721,505</u>	<u>36,196</u>	<u>15,319</u>	<u>742,382</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>5,741,505</u>	<u>38,985</u>	<u>731,882</u>	<u>5,048,608</u>	<u>775,307</u>
TOTAL REPORTING ENTITY	<u>\$27,333,466</u>	<u>\$ 820,973</u>	<u>\$ 2,070,520</u>	<u>\$26,083,919</u>	<u>\$ 2,101,750</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

\$975,000 1990 Unlimited Tax General Obligation Environmental Bonds dated December 1, 1990, due in annual installments ranging from \$40,000 to \$85,000 through April 1, 2017, with interest at 6.75 percent, payable semi-annually. \$ 615,000

\$600,000 1992 Limited Tax Obligation Building Authority Bonds dated August 1, 1992, due in a final installment of \$55,000 on October 1, 2007, with interest at 6.25 percent. 55,000

\$950,000 2001 Limited Tax Obligation Building Authority Bonds dated June 1, 2001, due in annual installments ranging from \$25,000 to \$100,000 through August 1, 2020, with interest ranging from 5.00 to 8.00 percent, payable semi-annually. 850,000

\$900,000 2001 Limited Tax Obligation Transportation Bonds dated May 1, 2001, due in annual installments ranging from \$50,000 to \$75,000 through August 1, 2015, with interest ranging from 4.00 to 5.00 percent, payable semi-annually. 600,000

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

General Obligation Bonds - continued

\$265,000 2002 Limited Tax General Obligation Bonds dated June 25, 2002, due in a final installment of \$60,000 on September 1, 2007, with interest at 3.60 percent. \$ 60,000

\$4,200,000 2004 Water and Sewer Improvement Bonds dated April 1, 2004, due in annual installments ranging from \$60,000 to \$240,000 through August 1, 2029, with interest ranging from 3.00 to 4.60 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 20 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds as \$2,100,000 and \$1,260,000, respectively. 3,360,000

\$3,700,000 2005 Water and Sewer Improvement Bonds dated May 1, 2005, due in annual installments ranging from \$22,500 to \$247,500 through August 1, 2029, with interest ranging from 3.50 to 4.50 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 10 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds as \$1,665,000 and \$1,665,000, respectively. 3,330,000

\$1,500,000 2006 Water and Sewer Improvement Bonds dated May 1, 2006, due in annual installments ranging from \$22,500 to \$90,000 through August 1, 2029, with interest ranging from 4.60 to 6.00 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 10 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds as \$675,000 and \$675,000, respectively. 1,350,000

\$10,220,000

Special Assessment Limited Tax Bonds Payable

\$1,310,000 1995 Public Improvement Special Assessment Bonds dated October 1, 1995, due in annual installments of \$100,000 through October 1, 2010, with interest ranging from 5.30 to 5.75 percent, payable semi-annually. \$ 400,000

Water and Sewer Supply System Revenue Bonds

\$8,400,000 1999 Water Supply Water System Refunding Bonds dated August 19, 1999, due in annual installments ranging from \$39,677 to \$650,000 through July 1, 2018, with interest ranging from 4.50 to 5.90 percent, payable semi-annually. \$ 5,939,677

\$3,600,000 2001 Water and Sewer Improvement Bonds dated August 1, 2001, due in annual installments ranging from \$134,250 to \$268,500 through August 1, 2020, with interest ranging from 4.00 to 5.00 percent, payable semi-annually. Ionia Area Sewer Disposal System is responsible for 10.5 percent of the outstanding debt; the remaining portion is recorded in the Water and Sewer Funds at \$2,080,000 and \$784,000, respectively. 2,864,000

\$ 8,803,677

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Municipal Purchase Contracts

The following loans are considered municipal purchase contracts, under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan, Department of Treasury approval:

\$143,100 Department of Public Works Street Sweeper Loan dated September 4, 2002, due in annual installments ranging from \$21,600 to \$22,263 through December 1, 2008, with interest at 4.68 percent.	\$ 43,873
\$842,136 Equipment note for a purchase of a tanker truck and to pay off three (3) existing higher debt issues, the note dated August 25, 2003, due in annual installments ranging from \$10,000 to \$135,792 through October 15, 2011, with interest at 4.10 percent.	505,792
\$87,987 Department of Public Works Dump Truck Loan dated August 5, 2003, due in annual installments of \$17,857 through September 30, 2007, with interest at 3.97 percent.	17,857
\$75,348 2006 Promissory Note for the purchase of four (4) pick up trucks by the Department of Public Works dated November 17, 2005, due in annual installments ranging from \$25,134 to \$26,077 through November 17, 2008, with interest at 4.13 percent.	51,211
\$484,079 2006 Infrastructure loan dated July 6, 2006, due in annual installments ranging from \$115,708 to \$126,438 with interest at 3.00 percent payable annually.	<u>484,079</u>
	<u>\$ 1,102,812</u>

COMPONENT UNITS

General Obligation Bonds

\$4,005,000 1997 Limited Tax General Obligation Downtown Development Authority Refunding Bonds dated May 15, 1997, due in annual installments of \$460,000 through May 1, 2010, with interest ranging from 5.70 to 5.90 percent, payable semi-annually.	\$ 1,380,000
\$3,835,000 1998 Limited Tax General Obligation Downtown Development Authority Refunding Bonds dated November 24, 1998, due in annual installments ranging from \$315,000 to \$425,000 through November 1, 2014, with interest ranging from 4.0 to 4.35 percent payable semi-annually.	<u>2,925,000</u>
	<u>\$ 4,305,000</u>

The Ionia Area Sewage Disposal System, a joint venture of which the City has an approximate equity interest of 87%, made the following loan to the Local Development Financing Authority Fund. The loan is accounted for essentially as an interfund loan within the City financial statements due to the substantial equity interest in the Sewage Disposal System. Therefore, the loan is not subject to State of Michigan, Department of Treasury approval.

\$520,000 Ionia Area Sewage Disposal System (SDS) loan due in annual principal and interest installments based on sales of Industrial Park land. The outstanding balance includes accrued interest along with the principal amounts.	<u>\$ 742,382</u>
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City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

Accumulated Vacation and Sick

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$508,822 for the primary government and \$1,226 for the component units at June 30, 2007. Of the total for the primary government, \$101,828 and \$11,051 are recorded as liabilities within the Enterprise and Internal Service fund types, respectively, in accordance with criteria disclosed in Note A.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

Primary Government

Year Ending June 30,	<u>General Obligation and Special Assessment Bonds</u>		<u>Revenue Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 435,000	\$ 477,584	\$ 573,927	\$ 409,718	\$ 190,309	\$ 31,379
2009	372,500	457,378	584,250	384,349	282,519	34,288
2010	400,000	444,951	584,250	356,479	242,754	23,305
2011	452,500	416,648	654,000	328,390	251,438	14,634
2012	357,500	397,586	704,000	297,730	135,792	5,645
2013-2017	2,232,500	1,691,208	4,024,000	945,975	-	-
2018-2022	2,145,000	1,179,613	1,679,250	129,155	-	-
2023-2027	2,515,000	681,531	-	-	-	-
2028-2030	1,710,000	117,610	-	-	-	-
	<u>\$ 10,620,000</u>	<u>\$ 5,864,109</u>	<u>\$ 8,803,677</u>	<u>\$ 2,851,796</u>	<u>\$ 1,102,812</u>	<u>\$ 109,251</u>

Component Unit

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 775,000	\$ 196,193
2009	785,000	157,092
2010	800,000	116,860
2011	355,000	75,384
2012	370,000	60,248
2013-2015	1,220,000	80,629
	<u>\$ 4,305,000</u>	<u>\$ 686,406</u>

Because the SDS loan to the Local Development Finance Authority is due in installments based on sales of Industrial Park land, it was not possible to project a payment schedule for this loan. As a result, it is not included in the schedule above. The City believes that the SDS loan is eligible for repayment with tax increment financing revenues.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

Advance Refunding - Prior

On May 15, 1997, the City defeased the portion of the 1990 G.O. Downtown Development Authority Bonds which were due and payable May 1, 2001 through May 1, 2010 and a portion of the 1991 G.O. Downtown Development Authority Bonds, which are due and payable May 1, 2001, through May 1, 2010. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation 1998 Downtown Development Authority Refunding Bonds in the amount of \$4,005,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2007, bonds due and payable May 1, 2008 through May 1, 2010 for the 1990 and 1991 G.O. Downtown Development Authority Bonds in the amounts of \$165,000 and \$1,200,000, respectively, are considered defeased.

On November 24, 1998, the City defeased a portion of the 1994 G.O. Downtown Development Authority Bonds, which are due and payable November 1, 2006 through November 1, 2014. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The City issued General Obligation Downtown Development Authority Refunding bonds in the amount of \$3,835,000 to provide resources to fund the escrow amounts and pay the costs of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2007, bonds due and payable November 1, 2007 through November 1, 2014 for the 1994 G.O. Downtown Development Authority bonds in the amount of \$2,740,000 are considered defeased.

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Council and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2007 the City's annual pension cost of \$481,468 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H: RETIREMENT PLAN - CONTINUEDThree (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 5,042,734	\$ 5,342,789	\$ 5,886,360
Actuarial accrued liability (AAL) (entry age)	10,566,124	11,011,751	11,587,499
Unfunded AAL	5,523,390	5,668,962	5,701,139
Funded ratio	48 %	49 %	51 %
Covered payroll	2,445,789	2,603,199	2,589,693
UAAL as a percentage of covered payroll	226 %	218 %	220 %

	Year Ended June 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 512,143	\$ 529,600	\$ 481,468
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the MERS actuarial reports as of December 31, 2004, 2005, and 2006.

NOTE I: DEFERRED COMPENSATION PLAN

The City of Ionia offers its employees a choice of one (1) of three (3) deferred compensation plans. The plans sponsored by the ICMA Retirement Corporation, Nationwide Retirement Solutions, and Prudential Retirement Services were created in accordance with IRC Section #457. The plans, available to all City employees, permit them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

Legislative change has been made to 457 plans which mandates that by no later than January 1, 1998, all existing 457 plan assets must be held in a custodial account, trust, or annuity contract for the benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employers creditors nor can they be used by the public employer for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. The ICMA Retirement Corporation and Public Employees Benefit Services Corporation have elected to implement compliance with the new requirement effective January 1, 1998. The plans assets previously maintained in an Agency Fund are no longer reported by the City because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

NOTE J: RISK MANAGEMENT

The City participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE J: RISK MANAGEMENT - CONTINUED

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE K: FUND EQUITY RESERVES

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balances as of June 30, 2007:

Fund Balances

General Fund	
Reserved for prepaids	\$ 5,100
Debt Service Funds	
Skyview/Gregmark	
Reserved for debt service	75
Ionia Building Authority	
Reserved for debt service	3,673
2002 G.O. Bonds	
Reserved for debt service	<u>629</u>
	4,377
Capital Projects Funds	
Grant Projects	
Reserved for grant activity	<u>239,089</u>
	<u>\$ 248,566</u>

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2007:

PRIMARY GOVERNMENT

Governmental Activities	
Restricted for streets	
Major Street	\$ 5,643
Local Street	<u>6,062</u>
	<u>\$ 11,705</u>
Restricted for grant activities	<u>\$ 239,089</u>
Business-type Activities	
Restricted for debt service	
Water System	<u>\$ 900,876</u>

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE L: RESTRICTED NET ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Business-type activities - continued

Restricted for capital projects

Sewer System \$ 89,307

Water System 147,973

\$ 237,280

Restricted for nonoperating expenses

Water System \$ 120,000

NOTE M: CONTINGENT LIABILITIES

The City is a responsible party with respect to clean-up costs at the Cleveland Street Dump Site. The City is party to a Federal Consent Decree entered with the District Court during the fiscal year ended June 30, 2002. The terms of the Consent Decree limit the City's liability to a share of the clean-up costs associated with existing contamination as of the date of the decree. The City has received reimbursement costs related to clean up of this site through the Clean Michigan Initiative (CMI), however a reasonable estimate of the City's remaining potential liability cannot be determined at this time.

There is other legal action pending against the City. Due to the inconclusive nature of the action, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. This potential liability, if any, is considered by City Management and legal counsel to be immaterial or the potential liability would be covered by insurance.

NOTE N: FUND DEFICITS

The following fund has a fund equity deficit at June 30, 2007:

COMPONENT UNIT FUNDS

Downtown Development Authority \$ 313,537

The City previously filed a deficit elimination plan with the State Department of Treasury for the Downtown Development Authority Fund. The State has approved that plan and the City is in compliance with the plan as of June 30, 2007.

NOTE O: CONTRACTUAL COMMITMENTS

The City has entered into various street project contracts related to infrastructure improvements that were not completed at June 30, 2007. The contractual commitments outstanding for these projects at June 30, 2007 totaled \$23,132. The City will use fund equity to cover these commitments.

The City has entered into a contract for the Ionia Theater 2007 Renovation that was not completed at June 30, 2007. The contract commitment outstanding for this project at June 30, 2007 totaled \$63,275. The City will use net assets to cover these commitments.

City of Ionia

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The approved budgets of the City have been adopted at the total expenditure level for the General and Special Revenue Funds.

During the year ended June 30, 2007, the City incurred expenditures in the Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Major Street	\$ 500,398	\$ 532,011	\$ 31,613
Recreation	297,753	304,724	6,971

NOTE Q: DIAL-A-RIDE ELIGIBLE DEPRECIATION

The eligible depreciation of \$341 includes only the depreciation of assets purchased with local funds and where the useful life of the asset has been approved by BPT.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 403,417	\$ 403,417	\$ 391,030	\$ (12,387)
Income taxes	1,657,887	1,610,000	1,601,498	(8,502)
Payments in lieu of taxes	21,200	21,200	40,859	19,659
Penalties and interest	17,800	60,000	79,249	19,249
Total taxes	2,100,304	2,094,617	2,112,636	18,019
Licenses and permits				
City licenses and permits	25,000	25,000	11,113	(13,887)
Inspection fees	1,245	1,245	1,436	191
Total licenses and permits	26,245	26,245	12,549	(13,696)
Intergovernmental				
Sales tax	937,390	915,000	934,302	19,302
Liquor tax	5,300	5,300	4,376	(924)
Homeland security grants	160,000	137,000	120,822	(16,178)
Summer food service program	-	7,000	7,073	73
Total intergovernmental	1,102,690	1,064,300	1,066,573	2,273
Charges for services				
Fire protection	315,210	483,000	484,120	1,120
Administration charges	320,557	350,557	354,607	4,050
Tax collection fees	55,171	55,171	57,866	2,695
Total charges for services	690,938	888,728	896,593	7,865
Fines and forfeits				
Parking	3,750	3,750	3,845	95
District court	37,000	37,000	38,895	1,895
Total fines and forfeits	40,750	40,750	42,740	1,990
Interest and rents				
Interest	7,000	7,000	23,028	16,028
Rents	61,670	61,670	62,305	635
Total interest and rents	68,670	68,670	85,333	16,663

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES - CONTINUED				
Other				
Special assessments	\$ 4,665	\$ 4,665	\$ 5,890	\$ 1,225
Other	156,288	96,000	87,700	(8,300)
Other - public safety	62,800	93,700	109,969	16,269
Total other	223,753	194,365	203,559	9,194
TOTAL REVENUES	4,253,350	4,377,675	4,419,983	42,308
OTHER FINANCING SOURCES				
Transfers in	34,544	34,544	34,544	-0-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,287,894</u>	<u>\$ 4,412,219</u>	<u>\$ 4,454,527</u>	<u>\$ 42,308</u>

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
General government				
Mayor and council	\$ 22,825	\$ 20,975	\$ 19,949	\$ 1,026
City manager	103,450	103,450	105,110	(1,660)
Elections	5,685	5,685	4,738	947
Accounting	160,603	157,603	169,720	(12,117)
Independent audit	6,050	4,750	4,750	-0-
Income tax administration	105,050	103,750	99,200	4,550
Front office	74,900	61,200	55,108	6,092
City legal fees	40,000	38,100	38,069	31
Assessor	40,500	40,500	37,127	3,373
Grant activity	3,800	16,400	14,972	1,428
Board of review	725	1,000	913	87
Data processing	82,925	82,925	79,040	3,885
Clerk	17,600	24,600	26,116	(1,516)
Buildings and grounds	61,442	63,442	61,214	2,228
Other offices	42,875	43,025	40,497	2,528
Fringe benefits	992,189	940,657	915,226	25,431
Other	-	6,800	12,256	(5,456)
Total general government	1,760,619	1,714,862	1,684,005	30,857
Public safety				
Building inspection	56,139	56,139	54,605	1,534
Public safety department	1,653,472	1,693,672	1,614,411	79,261
Total public safety	1,709,611	1,749,811	1,669,016	80,795
Public works				
Street lights	66,750	70,350	65,481	4,869
Health and welfare				
Ambulance	33,885	33,885	33,885	-0-
Community and economic development				
Planning and zoning	6,800	41,800	41,578	222
Recreation and cultural				
Festivals and events	64,650	49,300	47,436	1,864

City of Ionia

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES - CONTINUED

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Debt service				
Principal	\$ 144,033	\$ 144,033	\$ 144,002	\$ 31
Interest	24,495	24,495	24,495	-0-
Total debt service	168,528	168,528	168,497	31
TOTAL EXPENDITURES	3,810,843	3,828,536	3,709,898	118,638
OTHER FINANCING USES				
Transfers out				
Recreation Fund	200,000	210,000	212,500	(2,500)
Building Authority Fund	106,217	106,217	104,341	1,876
2002 G.O. Bond Fund	58,343	58,343	58,438	(95)
Environmental Bond Issue Fund	100,000	100,000	100,000	-0-
TOTAL OTHER FINANCING USES	464,560	474,560	475,279	(719)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,275,403</u>	<u>\$ 4,303,096</u>	<u>\$ 4,185,177</u>	<u>\$ 117,919</u>

OTHER SUPPLEMENTARY INFORMATION

City of Ionia

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - BUILDING INSPECTION

Years Ended June 30, 2007 and 2006

	2007	2006
Licenses and permits		
Permits	\$ 11,113	\$ 102,652
Inspection fees	1,436	2,285
	<u>12,549</u>	<u>104,937</u>
TOTAL REVENUES		
Salaries and wages	49,205	47,899
Contractual services	41,092	81,970
Office supplies	705	390
Publishing	1,197	842
Transportation and training	3,984	3,608
	<u>96,183</u>	<u>134,709</u>
TOTAL EXPENDITURES		
EXCESS OF REVENUES		
(UNDER) EXPENDITURES	<u>\$ (83,634)</u>	<u>\$ (29,772)</u>

City of Ionia
Nonmajor Governmental Funds
COMBINING BALANCE SHEET

June 30, 2007

	Major Street	Special Local Street	Solid Waste
ASSETS			
Cash and cash equivalents	\$ (58,415)	\$ (10,592)	\$ 19,265
Accounts receivable	-	-	32,069
Taxes receivable	-	-	951
Due from other governmental units - State	70,696	25,408	-
TOTAL ASSETS	<u><u>\$ 12,281</u></u>	<u><u>\$ 14,816</u></u>	<u><u>\$ 52,285</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,949	\$ 6,993	\$ 381
Accrued wages	3,988	1,470	2,053
Other accrued liabilities	701	291	13
Due to other funds	-	-	33,549
Deferred revenue	-	-	951
TOTAL LIABILITIES	6,638	8,754	36,947
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	5,643	6,062	15,338
Capital project funds	-	-	-
TOTAL FUND BALANCES	<u><u>5,643</u></u>	<u><u>6,062</u></u>	<u><u>15,338</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 12,281</u></u>	<u><u>\$ 14,816</u></u>	<u><u>\$ 52,285</u></u>

Revenue			
Recreation	Drug Forfeiture	Public Safety Donations	Sick Pay Reserve
\$ 20,469	\$ 7,377	\$ 5,169	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 20,469</u>	<u>\$ 7,377</u>	<u>\$ 5,169</u>	<u>\$ -0-</u>
\$ 6,859	\$ -	\$ 196	\$ -
3,379	-	-	-
367	-	-	-
-	-	-	-
-	-	-	-
10,605	-0-	196	-0-
-	-	-	-
9,864	7,377	4,973	-
-	-	-	-
<u>9,864</u>	<u>7,377</u>	<u>4,973</u>	<u>-0-</u>
<u>\$ 20,469</u>	<u>\$ 7,377</u>	<u>\$ 5,169</u>	<u>\$ -0-</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2007

	Debt Service		
	Skyview/ Gregmark	Building Authority	2002 G.O. Bonds
ASSETS			
Cash and cash equivalents	\$ 75	\$ 3,673	\$ 629
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Due from other governmental units - State	-	-	-
TOTAL ASSETS	<u>\$ 75</u>	<u>\$ 3,673</u>	<u>\$ 629</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Debt service	75	3,673	629
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Capital project funds	-	-	-
TOTAL FUND BALANCES	<u>75</u>	<u>3,673</u>	<u>629</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 75</u>	<u>\$ 3,673</u>	<u>\$ 629</u>

Sidewalk Program	Capital Projects		Total Nonmajor Governmental Funds
	Building Authority	Environmental Bond Issue	
\$ 44,261	\$ 9,580	\$ 46,915	\$ 88,406
-	-	-	32,069
-	-	11,941	12,892
-	-	-	96,104
<u>\$ 44,261</u>	<u>\$ 9,580</u>	<u>\$ 58,856</u>	<u>\$ 229,471</u>
\$ 2,579	\$ -	\$ 8,356	\$ 27,313
-	-	-	10,890
-	-	-	1,372
-	-	-	33,549
-	-	11,941	12,892
2,579	-0-	20,297	86,016
-	-	-	4,377
-	-	-	49,257
41,682	9,580	38,559	89,821
41,682	9,580	38,559	143,455
<u>\$ 44,261</u>	<u>\$ 9,580</u>	<u>\$ 58,856</u>	<u>\$ 229,471</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Major Street	Special Local Street	Solid Waste
REVENUES			
Taxes	\$ -	\$ -	\$ 219,158
Intergovernmental	526,653	154,735	-
Charges for services	-	-	209,407
Interest and rents	-	-	1,482
Other	10,998	12,041	-
TOTAL REVENUES	537,651	166,776	430,047
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	414,566	201,624	414,709
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	31,445	47,168	-
TOTAL EXPENDITURES	446,011	248,792	414,709
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	91,640	(82,016)	15,338
OTHER FINANCING SOURCES (USES)			
Transfers in	-	86,000	-
Transfers out	(86,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(86,000)	86,000	-0-
NET CHANGE IN FUND BALANCES	5,640	3,984	15,338
Fund balances, beginning of year	3	2,078	-
Fund balances, end of year	\$ 5,643	\$ 6,062	\$ 15,338

Revenue			
Recreation	Drug Forfeiture	Public Safety Donations	Sick Pay Reserve
\$ -	\$ -	\$ -	\$ -
-	-	-	-
67,244	-	-	-
8,383	77	70	-
6,123	8,207	5,299	-
81,750	8,284	5,369	-0-
-	-	-	-
-	-	-	-
304,724	-	-	-
-	907	396	-
-	-	-	-
304,724	907	396	-0-
(222,974)	7,377	4,973	-0-
220,100	-	-	-
-	-	-	(344)
220,100	-0-	-0-	(344)
(2,874)	7,377	4,973	(344)
12,738	-	-	344
<u>\$ 9,864</u>	<u>\$ 7,377</u>	<u>\$ 4,973</u>	<u>\$ -0-</u>

City of Ionia

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2007

	Debt Service		
	Skyview/ Gregmark	Building Authority	2002 G.O. Bonds
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	62,276	-	-
Charges for services	-	-	-
Interest and rents	10	-	-
Other	-	-	-
TOTAL REVENUES	62,286	-0-	-0-
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	124,550	133,420	58,438
TOTAL EXPENDITURES	124,550	133,420	58,438
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(62,264)	(133,420)	(58,438)
OTHER FINANCING SOURCES (USES)			
Transfers in	62,274	131,363	58,438
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	62,274	131,363	58,438
NET CHANGE IN FUND BALANCES	10	(2,057)	-0-
Fund balances, beginning of year	65	5,730	629
Fund balances, end of year	\$ 75	\$ 3,673	\$ 629

Sidewalk Program	Capital Projects		Total Nonmajor Governmental Funds
	Building Authority	Environmental Bond Issue	
\$ -	\$ -	\$ 257,803	\$ 476,961
-	-	-	743,664
-	-	-	276,651
1,621	-	1,191	12,834
-	-	-	42,668
1,621	-0-	258,994	1,552,778
-	-	-	-
-	-	-	1,030,899
-	-	-	304,724
12,204	-	228,479	241,986
-	-	91,964	486,985
12,204	-0-	320,443	2,064,594
(10,583)	-0-	(61,449)	(511,816)
-	-	100,000	658,175
-	(41,800)	-	(128,144)
-0-	(41,800)	100,000	530,031
(10,583)	(41,800)	38,551	18,215
52,265	51,380	8	125,240
<u>\$ 41,682</u>	<u>\$ 9,580</u>	<u>\$ 38,559</u>	<u>\$ 143,455</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

Year Ended June 30, 2007

Major Street

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 427,500	\$ 427,500	\$ 431,653	\$ 4,153
Local	95,000	95,000	95,000	-0-
Other	12,000	12,000	10,998	(1,002)
TOTAL REVENUES	534,500	534,500	537,651	3,151
EXPENDITURES				
Current				
Public works				
Highways and streets				
Routine maintenance	43,810	43,810	46,105	(2,295)
Tree trimming	24,013	29,013	31,120	(2,107)
Traffic service	30,950	40,950	29,471	11,479
Winter maintenance	37,900	41,900	43,674	(1,774)
Central garage contract - DDA	129,895	134,895	165,427	(30,532)
Administration	85,113	85,113	98,769	(13,656)
Total highways and streets	351,681	375,681	414,566	(38,885)
Debt service	38,717	38,717	31,445	7,272
TOTAL EXPENDITURES	390,398	414,398	446,011	(31,613)
EXCESS OF REVENUES OVER EXPENDITURES	144,102	120,102	91,640	(28,462)
OTHER FINANCING USES				
Transfers out	(130,000)	(86,000)	(86,000)	-0-
NET CHANGE IN FUND BALANCE	14,102	34,102	5,640	(28,462)
Fund balance, beginning of year	3	3	3	-0-
Fund balance, end of year	\$ 14,105	\$ 34,105	\$ 5,643	\$ (28,462)

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2007

	<u>Local Street</u>			
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 154,000	\$ 154,000	\$ 154,735	\$ 735
Miscellaneous	12,500	12,500	12,041	(459)
TOTAL REVENUES	166,500	166,500	166,776	276
EXPENDITURES				
Public works				
Highways and streets				
Routine maintenance	128,950	62,450	59,592	2,858
Tree trimming	15,225	30,225	31,351	(1,126)
Traffic service	13,385	18,385	17,099	1,286
Winter maintenance	32,200	38,700	40,118	(1,418)
Administration	41,750	47,750	53,464	(5,714)
Total highway and streets	231,510	197,510	201,624	(4,114)
Debt service	54,440	54,440	47,168	7,272
TOTAL EXPENDITURES	285,950	251,950	248,792	3,158
EXCESS OF REVENUES (UNDER) EXPENDITURES	(119,450)	(85,450)	(82,016)	3,434
OTHER FINANCING SOURCES				
Transfers in	130,000	86,000	86,000	-0-
NET CHANGE IN FUND BALANCE	10,550	550	3,984	3,434
Fund balance, beginning of year	2,078	2,078	2,078	-0-
Fund balance, end of year	\$ 12,628	\$ 2,628	\$ 6,062	\$ 3,434

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2007

Solid Waste

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 222,420	\$ 222,420	\$ 219,158	\$ (3,262)
Charges for services	204,193	204,193	209,407	5,214
Interest	-	-	1,482	1,482
TOTAL REVENUES	426,613	426,613	430,047	3,434
EXPENDITURES				
Public works				
City property improvements	6,396	3,396	7,633	(4,237)
Recycling center	195,500	200,500	184,074	16,426
Tree trimming	47,950	69,950	71,923	(1,973)
Street sweeping	16,950	28,000	30,848	(2,848)
Leaf and brush pickup	144,205	105,155	104,429	726
Yard waste collection	9,527	13,527	15,802	(2,275)
TOTAL EXPENDITURES	420,528	420,528	414,709	5,819
NET CHANGE IN FUND BALANCE	6,085	6,085	15,338	9,253
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	\$ 6,085	\$ 6,085	\$ 15,338	\$ 9,253

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2007

Recreation

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services				
Ticket sales	\$ 4,500	\$ 4,500	\$ 3,098	\$ (1,402)
Activities	37,370	37,370	40,109	2,739
Special events	19,900	19,900	24,037	4,137
Interest and rents	8,720	8,720	8,383	(337)
Other	500	5,100	6,123	1,023
TOTAL REVENUES	70,990	75,590	81,750	6,160
EXPENDITURES				
Recreation and cultural				
Administration	149,053	144,703	150,919	(6,216)
Special events	13,900	13,900	15,311	(1,411)
Adult activities	5,100	6,700	6,638	62
Youth activities	21,450	21,450	16,378	5,072
Armory	41,050	39,050	39,774	(724)
Park maintenance	75,100	71,950	75,704	(3,754)
TOTAL EXPENDITURES	305,653	297,753	304,724	(6,971)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(234,663)	(222,163)	(222,974)	(811)
OTHER FINANCING SOURCES				
Transfers in	207,600	217,600	220,100	2,500
NET CHANGE IN FUND BALANCE	(27,063)	(4,563)	(2,874)	1,689
Fund balance, beginning of year	12,738	12,738	12,738	-0-
Fund balance (deficit), end of year	<u>\$ (14,325)</u>	<u>\$ 8,175</u>	<u>\$ 9,864</u>	<u>\$ 1,689</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2007

Drug Forfeiture

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and rents	\$ -	\$ -	\$ 77	\$ 77
Other	-	8,200	8,207	7
TOTAL REVENUES	-0-	8,200	8,284	84
EXPENDITURES				
Capital outlay	-	8,200	907	7,293
NET CHANGE IN FUND BALANCE	-0-	-0-	7,377	7,377
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,377</u>	<u>\$ 7,377</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2007

Public Safety Donations

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest and rents	\$ -	\$ -	\$ 70	\$ 70
Other	-	5,200	5,299	99
TOTAL REVENUES	-0-	5,200	5,369	169
EXPENDITURES				
Capital outlay	-	5,200	396	4,804
NET CHANGE IN FUND BALANCE	-0-	-0-	4,973	4,973
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,973</u>	<u>\$ 4,973</u>

City of Ionia

Nonmajor Special Revenue Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2007

Sick Pay Reserve

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING (USES)				
Transfers out	-	(344)	(344)	-
NET CHANGE IN FUND BALANCE	-0-	(344)	(344)	-0-
Fund balance, beginning of year	344	344	344	-0-
Fund balance, end of year	<u>\$ 344</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

City of Ionia

Major Capital Projects Fund

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

Year Ended June 30, 2007

	<u>Grant Projects</u>
REVENUES	
Intergovernmental	
Federal/State	\$ 1
Local	<u>196,246</u>
TOTAL REVENUES	196,247
EXPENDITURES	
Capital outlay	
GIS/AVL 800 MGZ	
Contractual services	503,007
SDS#1 projects	
Contractual services	98,056
Downtown gateway project	
Contractual services	21,322
M-21 water main	
Contractual services	37,264
Washington, Stevenson, & Morse	
Contractual services	1,957
Construction	<u>317</u>
Total Washington, Stevenson, & Morse	2,274
Center/Pleasant/Summit/Tower	
Contractual services	90,013
Construction	<u>777,436</u>
Total Center/Pleasant/Summit/Tower	867,449
High and Baldie Streets	
Contractual services	1,798
M-66 utility improvements	
Contractual services	278,326
Mill Street	
Contractual services	15,850
Union, Division, & Pearl streets	
Contractual services	5,404

City of Ionia

Major Capital Projects Fund

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - CONTINUED

Year Ended June 30, 2007

	<u>Grant Projects</u>
EXPENDITURES - CONTINUED	
Downtown rental rehabilitation	
Contractual services	\$ 5,804
City property improvements	<u>16,003</u>
TOTAL EXPENDITURES	<u>1,852,557</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,656,310)
OTHER FINANCING SOURCES	
Transfers in	<u>1,826,048</u>
NET CHANGE IN FUND BALANCE	169,738
Fund balance, beginning of year	<u>69,351</u>
Fund balance, end of year	<u><u>\$ 239,089</u></u>

City of Ionia

Dial-A-Ride Transit Fund

LOCAL REVENUES

Year Ended June 30, 2007

	7/1/06 to 9/30/06	10/1/06 to 6/30/07	Total
Demand response (farebox)	\$ 17,141	\$ 56,772	\$ 73,913
School services (farebox)	489	54,531	55,020
Local operating grant - tax levy	40,155	30,360	70,515
Local participation	2,250	8,625	10,875
Interest income	1,444	4,357	5,801
Gain on sale of equipment	10,881	-	10,881
Contributions	-	543	543
TOTAL LOCAL REVENUES	\$ 72,360	\$ 155,188	\$ 227,548

City of Ionia

Dial-A-Ride Transit Fund

LOCAL REVENUES

Based on a Year Ended September 30, 2006

	10/1/05 to 6/30/06	7/1/06 to 9/30/06	Total
Demand response (farebox)	\$ 51,548	\$ 17,141	\$ 68,689
School services (farebox)	51,109	489	51,598
Local operating grant - tax levy	10,147	40,155	50,302
Local participation	975	2,250	3,225
Interest income	6,450	1,444	7,894
Gain on sale of equipment	5,766	10,881	16,647
Contributions	1,995	-	1,995
TOTAL LOCAL REVENUES	\$ 127,990	\$ 72,360	\$ 200,350

City of Ionia

Dial-A-Ride Transit Fund

EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2007

Federal and State Grantor/Pass - Through Grantor/Program Title	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures			Prior Year's Expenditures	Award Amount Remaining
				Total	Federal	State		
U.S. DEPARTMENT OF TRANSPORTATION								
Passed through Michigan Department of Transportation								
Federal Transit Capital Grants	20.500							
Capital Grant - Section 5309 (80/20)		2002-0050/Z14	\$ 151,840	\$ 720	\$ 576	\$ 144	\$ 144,609	\$ 6,511
Capital Grant - Section 5309 (80/20)		2002-0050/Z17	671,440	493,240	493,240	-	-	178,200
Operating Assistance - Section 5311	20.509	2002-0050/Z16	96,373	31,041	31,041	-	61,073	4,259
		2007-0231/Z3	86,160	61,507	61,507	-	-	24,653
Rural Transit Assistance Program (RTAP)		N/A	1,618	1,618	1,618	-	-	-0-
Job Access and Reverse Commute (50/50)	20.516	2002-0050/Z6	82,878	23,122	11,561	11,561	59,756	-0-
		2007-0231/Z2	34,362	34,362	17,181	17,181	-	-0-
MICHIGAN DEPARTMENT OF TRANSPORTATION								
Operating Assistance - Act 51	N/A							
Nonurban		N/A	205,632	205,632	-	205,632	-	-0-
Prior year reconciliations		N/A	N/A	(22,979)	-	(22,979)	-	-0-
Specialized Services	N/A	2002-0050/Z15	18,884	4,721	-	4,721	14,163	-0-
		2007-0231/Z1	21,507	10,752	-	10,752	-	10,755
TOTALS			\$ 1,370,694	\$ 843,736	\$ 616,724	\$ 227,012	\$ 279,601	\$ 224,378

City of Ionia

Dial-A-Ride Transit Fund

FEDERAL AND STATE AWARDS - OPERATING REVENUES ONLY

Year Ended June 30, 2007

	7/1/06 to 9/30/06	10/1/06 to 6/30/07	Total
State of Michigan Operating Grants			
Local Bus Operating Assistance (Act 51)	\$ 49,653	\$ 155,979	\$ 205,632
Prior year reconciliations	(7,051)	(15,928)	(22,979)
Ionia County Commission on Aging	4,721	10,752	15,473
Job Access - Service expansion	11,561	17,181	28,742
Total State of Michigan Operating Grants	58,884	167,984	226,868
Federal Operating Grants			
Rural Transit Assistance Program	1,325	293	1,618
Job Access - Service expansion	11,561	17,181	28,742
U.S. Department of Transportation - Section 5311	28,107	64,441	92,548
Total Federal Operating Grants	40,993	81,915	122,908
TOTAL OPERATING GRANTS - STATE AND FEDERAL	\$ 99,877	\$ 249,899	\$ 349,776

City of Ionia

Dial-A-Ride Transit Fund

FEDERAL AND STATE AWARDS - OPERATING REVENUES ONLY

Based on a Year Ended September 30, 2006

	10/1/05 to 6/30/06	7/1/06 to 9/30/06	Total
State of Michigan Operating Grants			
Local Bus Operating Assistance (Act 51)	\$ 166,860	\$ 49,653	\$ 216,513
Prior year reconciliations	1,787	(7,051)	(5,264)
Ionia County Commission on Aging	14,163	4,721	18,884
Job Access - Service expansion	24,378	11,561	35,939
Total State of Michigan Operating Grants	207,188	58,884	266,072
Federal Operating Grants			
Prior year reconciliations	6,421	-	6,421
Rural Transit Assistance Program	282	1,325	1,607
Job Access - Service expansion	24,378	11,561	35,939
U.S. Department of Transportation - Section 5311	63,977	28,107	92,084
Total Federal Operating Grants	95,058	40,993	136,051
TOTAL OPERATING GRANTS - STATE AND FEDERAL	<u>\$ 302,246</u>	<u>\$ 99,877</u>	<u>\$ 402,123</u>

City of Ionia

Dial-A-Ride Transit Fund

SCHEDULE OF OPERATING AND CONTRACT EXPENSES

Year Ended June 30, 2007

	Nonurban	Job Access	Specialized Services	Total
Labor	\$ 278,116	\$ 12,320	\$ -	\$ 290,436
Payroll taxes and fringe benefits	105,769	-	-	105,769
Professional services	46,321	39,800	9,442	95,563
Materials and supplies	52,844	5,365	-	58,209
Utilities	22,242	-	-	22,242
Insurance	9,931	-	-	9,931
Miscellaneous expenses	11,149	-	-	11,149
Training	472	-	-	472
Depreciation	139,052	-	-	139,052
Total expenses	<u>\$ 665,896</u>	<u>\$ 57,485</u>	<u>\$ 9,442</u>	<u>\$ 732,823</u>

City of Ionia

Dial-A-Ride Transit Fund

OPERATING EXPENSES SPLIT BETWEEN A JUNE 30 AND SEPTEMBER 30 YEAR END

Year Ended June 30, 2007

	Nonurban			Job Access		
	7/1/06 to 9/30/06	10/1/06 to 6/30/07	Total	7/1/06 to 9/30/06	10/1/06 to 6/30/07	Total
Labor	\$ 60,110	\$ 218,006	\$ 278,116	\$ 3,570	\$ 8,750	\$ 12,320
Payroll taxes and fringe benefits	23,539	82,230	105,769	-	-	-0-
Professional services	10,594	35,727	46,321	18,394	21,406	39,800
Materials and supplies	13,439	39,405	52,844	1,159	4,206	5,365
Utilities	3,101	19,141	22,242	-	-	-0-
Insurance	-	9,931	9,931	-	-	-0-
Miscellaneous expenses	1,763	9,386	11,149	-	-	-0-
Training	-	472	472	-	-	-0-
Depreciation	34,763	104,289	139,052	-	-	-0-
Total expenses	<u>\$ 147,309</u>	<u>\$ 518,587</u>	<u>\$ 665,896</u>	<u>\$ 23,123</u>	<u>\$ 34,362</u>	<u>\$ 57,485</u>

City of Ionia

Dial-A-Ride Transit Fund

OPERATING EXPENSES BY PROGRAM

Based on a Year Ended September 30, 2006

	Nonurban			Job Access		
	10/1/05 to 6/30/06	7/1/06 to 9/30/06	Total	10/1/05 to 6/30/06	7/1/06 to 9/30/06	Total
Labor	\$ 206,893	\$ 60,110	\$ 267,003	\$ 11,013	\$ 3,570	\$ 14,583
Payroll taxes and fringe benefits	84,463	23,539	108,002	-	-	-0-
Professional services	49,617	10,594	60,211	21,829	18,394	40,223
Materials and supplies	34,570	13,439	48,009	3,210	1,159	4,369
Utilities	14,530	3,101	17,631	-	-	-0-
Insurance	10,410	-	10,410	-	-	-0-
Miscellaneous expenses	2,454	1,763	4,217	-	-	-0-
Depreciation	123,719	34,763	158,482	-	-	-0-
Total expenses	<u>\$ 526,656</u>	<u>\$ 147,309</u>	<u>\$ 673,965</u>	<u>\$ 36,052</u>	<u>\$ 23,123</u>	<u>\$ 59,175</u>

City of Ionia

Dial-A-Ride Transit Fund

OAR SCHEDULE 4R
NONURBAN REGULAR SERVICE REVENUE REPORT

Based on a Year Ended September 30, 2006

401	Farebox revenue		
50100	Passenger fares	\$	120,287
40200	Contract fares		18,884
407	Nontransportation revenue		
40760	Gain on sale of equipment		16,647
414	Other revenue		
41400	Interest income		7,894
43000	Contribution		1,995
408	Local revenue		
40800	Operating grant - tax levy		50,302
40910	Local participation		3,225
411	State formula and contracts		
41101	State operating assistance		199,937
41101	Prior year reconciliations		(5,264)
413	Federal contracts		
41301	Section 5311		87,408
41398	Rural Transit Assistance Program		1,607
41301	Prior year reconciliations		6,421
			<hr/>
	TOTAL NONURBAN SERVICE REVENUE	\$	<u>509,343</u>

City of Ionia

Dial-A-Ride Transit Fund

OAR SCHEDULE 4E
NONURBAN REGULAR SERVICE EXPENSE REPORT

Based on a Year Ended September 30, 2006

		<u>Operations</u>	<u>Maintenance</u>	<u>Administrative</u>	<u>Total</u>
	Expenses				
501	Labor				
50101	Operator's salaries and wages	\$ 209,003	\$ -	\$ -	\$ 209,003
50102	Other salaries and wages	-	9,335	16,740	26,075
50103	Dispatchers' salaries and wages	31,925	-	-	31,925
502	Fringe benefits				
50200	Payroll taxes and fringe benefits	98,656	3,367	5,979	108,002
503	Services				
50399	Professional services	16,658	13,034	30,519	60,211
504	Materials and supplies				
50401	Operation and maintenance	38,844	5,640	-	44,484
50499	Office supplies	1,086	1,167	1,272	3,525
505	Utilities				
50500	Utilities	-	804	16,827	17,631
506	Insurance				
50603	Insurance	10,410	-	-	10,410
509	Miscellaneous expenses				
50902	Advertising and promotion	-	-	3,091	3,091
50999	Other miscellaneous	369	-	361	730
50902	Training	396	-	-	396
513	Depreciation				
51300	Depreciation	-	-	158,482	158,482
550	Less ineligible expenses				
55007	Depreciation	-	-	158,141	158,141
55009	Association dues	-	-	51	51
574	Less ineligible expenses				
57402	Rural Transit Assistance Program	-	-	1,607	1,607
				Total expenses	673,965
				Total ineligible expenses	159,799
				Total eligible expenses	\$ 514,166

City of Ionia

Dial-A-Ride Transit Fund

OAR SCHEDULE 4N
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT

Based on a Year Ended September 30, 2006

	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611 Vehicle Miles ⁽¹⁾	138,203	2,671	-	140,874

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

Dial-A-Ride Transit Fund

OAR SCHEDULE 4R
J.A.R.C. REGULAR SERVICE REVENUE REPORT

Based on a Year Ended September 30, 2006

411	State contracts	
4199	Job Access	\$ 35,939
413	Federal contracts	
41399	Job Access	<u>35,939</u>
	TOTAL J.A.R.C. SERVICE REVENUE	<u><u>\$ 71,878</u></u>

City of Ionia

Dial-A-Ride Transit Fund

OAR SCHEDULE 4E
J.A.R.C. REGULAR SERVICE EXPENSE REPORT

Based on a Year Ended September 30, 2006

		<u>Operations</u>	<u>Maintenance</u>	<u>Administrative</u>	<u>Total</u>
501	Expenses				
501	Labor				
50101	Operator's salaries and wages	\$ 7,997	\$ -	\$ -	\$ 7,997
50102	Other salaries and wages	-	437	-	437
50103	Dispatchers' salaries and wages	4,581	1,568	-	6,149
503	Services				
50399	Professional services	22,175	-	18,048	40,223
504	Materials and supplies				
50499	Operation and maintenance	<u>4,369</u>	<u>-</u>	<u>-</u>	<u>4,369</u>
				Total expenses	59,175
				Total ineligible expenses	<u>-</u>
				Total eligible expenses	<u><u>\$ 59,175</u></u>

City of Ionia

Dial-A-Ride Transit Fund

OAR SCHEDULE 4N
J.A.R.C. REGULAR SERVICE NONFINANCIAL REPORT

Based on a Year Ended September 30, 2006

		<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
611	Vehicle Miles ⁽¹⁾	17,266	-	-	17,266

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

City of Ionia

Dial-A-Ride Transit Fund

OPERATING ASSISTANCE CALCULATION

For the Year Ended September 30, 2006

	<u>Nonurban</u>
Total expenses	\$ 673,965
Less ineligible expenses	
Depreciation	158,141
Association dues	51
RTAP	<u>1,607</u>
Total ineligible expenses per R&E manual	<u>159,799</u>
TOTAL STATE AND FEDERAL ELIGIBLE EXPENSES	<u><u>\$ 514,166</u></u>
Eligible expenses for State reimbursement	\$ 514,166
x Reimbursement percentage	<u>0.388857</u>
State operating assistance	<u><u>\$ 199,937</u></u>
Eligible expenses for Federal reimbursement	\$ 514,166
x Reimbursement percentage	<u>0.170000</u>
Federal section 5311 operating assistance	<u><u>\$ 87,408</u></u>

City of Ionia

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2007

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ (309,956)
Taxes receivable	<u>10,148</u>
TOTAL ASSETS	<u>\$ (299,808)</u>
LIABILITIES AND FUND DEFICIT	
LIABILITIES	
Accounts payable	\$ 2,268
Other accrued liabilities	1,313
Deferred revenue	<u>10,148</u>
TOTAL LIABILITIES	13,729
FUND DEFICIT	
Unreserved - undesignated	<u>(313,537)</u>
TOTAL LIABILITIES AND FUND DEFICIT	<u>\$ (299,808)</u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2007

Total fund balance - governmental fund **\$ (313,537)**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is 375,256

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue 10,148

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued interest payable	33,749	
Loan payable	4,305,000	
Compensated absences	<u>1,226</u>	
		<u>(4,339,975)</u>

Net assets of governmental activities **\$ (4,268,108)**

City of Ionia

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2007

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 1,369,922
Interest	4,913
Other	<u>12,881</u>
TOTAL REVENUES	1,387,716
EXPENDITURES	
Current	
Community and economic development	405,393
Debt service	
Principal	715,000
Interest	232,500
Capital outlay	<u>5,678</u>
TOTAL EXPENDITURES	<u>1,358,571</u>
NET CHANGE IN FUND BALANCE	29,145
Fund deficit, beginning of year	<u>(342,682)</u>
Fund deficit, end of year	<u><u>\$ (313,537)</u></u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2007

Net change in fund balance - governmental fund \$ 29,145

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,056

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement 715,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in compensated absences	(1,226)	
Decrease in accrued interest payable	<u>5,809</u>	<u>4,583</u>

Change in net assets of governmental activities \$ 749,784

City of Ionia

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2007

	Special Revenue
ASSETS	
Cash and cash equivalents	<u>\$ 19,487</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 4,161
Due to other governmental units	<u>15,319</u>
TOTAL LIABILITIES	19,480
FUND BALANCE	
Unreserved - undesignated	<u>7</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 19,487</u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2007

Total fund balance - governmental fund	\$	7
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Loan payable	<u>(742,382)</u>
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Net assets of governmental activities	\$	<u>(742,375)</u>
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City of Ionia

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2007

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 13,293
Interest	<u>603</u>
TOTAL REVENUES	13,896
EXPENDITURES	
Current	
Community and economic development	
Administrative	900
Debt service	<u>15,319</u>
TOTAL EXPENDITURES	<u>16,219</u>
NET CHANGE IN FUND BALANCE	(2,323)
Fund balance, beginning of year	<u>2,330</u>
Fund balance, end of year	<u><u>\$ 7</u></u>

City of Ionia

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES -
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2007

Net change in fund balance - governmental fund \$ (2,323)

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds. (9,357)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and
other financing sources in governmental funds, but the repayment reduces long-term
liabilities and the borrowings increase long-term liabilities in the statement of net assets.
In the current year, these amounts consist of:

Loan payments	15,319	
Change in principal balance	<u>(36,196)</u>	
		<u>(20,877)</u>

Change in net assets of governmental activities \$ (32,557)

City of Ionia

Component Unit Funds

BALANCE SHEET - BROWNFIELD REDEVELOPMENT AUTHORITY

June 30, 2007

	Special Revenue
ASSETS	
Cash and cash equivalents	<u>\$ 185</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	-
FUND BALANCE	
Unreserved - undesignated	<u> 185</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 185</u>

Note: Reconciliation of the balance sheet of this component unit's governmental fund to the statement not required as the fund balance of the component unit of net assets for the component unit is governmental fund was equal to the net assets of the component unit for the year ended June 30, 2007.

City of Ionia

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BROWNFIELD REDEVELOPMENT AUTHORITY

Year Ended June 30, 2007

	Special Revenue
REVENUES	
Taxes	\$ 20,267
Interest	185
TOTAL REVENUES	20,452
EXPENDITURES	
Community and economic development	20,267
EXCESS OF REVENUES OVER EXPENDITURES	185
Fund balance, beginning of year	-
Fund balance, end of year	\$ 185

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2007.

City of Ionia

SCHEDULE OF DEBT OUTSTANDING

June 30, 2007

1990 Environmental Bonds

Purpose: To defray the costs of protecting and restoring the environment by cleaning up contaminated or toxic waste sites in the City of Ionia and paying for facilities and services incidental thereto.

Issue: \$ 975,000

Issue date: December 1, 1990

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
4/1/2008	6.75 %	\$ 40,000	\$ 41,512	\$ 81,512
4/1/2009	6.75	45,000	38,812	83,812
4/1/2010	6.75	50,000	35,776	85,776
4/1/2011	6.75	55,000	32,400	87,400
4/1/2012	6.75	60,000	28,688	88,688
4/1/2013	6.75	60,000	24,638	84,638
4/1/2014	6.75	65,000	20,588	85,588
4/1/2015	6.75	75,000	16,200	91,200
4/1/2016	6.75	80,000	11,138	91,138
4/1/2017	6.75	85,000	5,738	90,738
		<u>\$ 615,000</u>	<u>\$ 255,490</u>	<u>\$ 870,490</u>

1992 Ionia Building Authority Bonds

Purpose: To defray the costs of acquiring, constructing, reconstructing, and equipping public safety facilities for the City of Ionia, which the Authority has leased to the City.

Issue: \$ 600,000

Issue date: August 1, 1992

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
10/1/2007	6.25 %	<u>\$ 55,000</u>	<u>\$ 1,719</u>	<u>\$ 56,719</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

1995 Public Improvement Special Assessment Bonds

Purpose: To finance the costs of water, sewer, and street improvements in certain special assessment districts in the City of Ionia in anticipation of the collection of future due installments of special assessments.

Issue: \$ 1,310,000

Issue date: October 1, 1995

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
10/1/2007	5.30 %	\$ 100,000	\$ 19,300	\$ 119,300
10/1/2008	5.40	100,000	13,950	113,950
10/1/2009	5.50	100,000	8,500	108,500
10/1/2010	5.75	100,000	2,875	102,875
		<u>\$ 400,000</u>	<u>\$ 44,625</u>	<u>\$ 444,625</u>

1999 Water Supply Revenue Refunding Bonds

Purpose: To defray the cost of acquiring and constructing improvements to the City's Water System and to pay the cost of refunding the City's outstanding 1981 Water System Revenue Bonds.

Issue: \$ 8,400,000

Issue date: August 19, 1999

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
7/1/2007	5.90 %	\$ 39,677	\$ -	39,677
7/1/2008	5.00	400,000	280,962	680,962
7/1/2009	5.00	450,000	260,962	710,962
7/1/2010	5.00	450,000	238,462	688,462
7/1/2011	4.85	475,000	216,638	691,638
7/1/2012	4.90	525,000	193,362	718,362
7/1/2013	4.95	525,000	167,375	692,375
7/1/2014	5.00	550,000	141,125	691,125
7/1/2015	5.00	600,000	113,625	713,625
7/1/2016	4.50	625,000	86,625	711,625
7/1/2017	4.50	650,000	58,500	708,500
7/1/2018	4.50	650,000	29,250	679,250
		<u>\$ 5,939,677</u>	<u>\$ 1,786,886</u>	<u>\$ 7,726,563</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2001 Building Authority Bonds

Purpose: To improve enlarge, furnish, equip and maintain facilities owned and operated by the City.

Issue: \$ 950,000

Issue date: June 1, 2001

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2007	8.00 %	\$ 25,000	\$ 45,250	\$ 70,250
8/1/2008	8.00	50,000	42,250	92,250
8/1/2009	8.00	50,000	38,250	88,250
8/1/2010	5.00	50,000	35,000	85,000
8/1/2011	5.00	50,000	32,500	82,500
8/1/2012	5.00	50,000	30,000	80,000
8/1/2013	5.00	50,000	27,500	77,500
8/1/2014	5.00	50,000	25,000	75,000
8/1/2015	5.00	75,000	21,875	96,875
8/1/2016	5.00	75,000	18,125	93,125
8/1/2017	5.00	75,000	14,375	89,375
8/1/2018	5.00	75,000	10,625	85,625
8/1/2019	5.00	75,000	6,875	81,875
8/1/2020	5.00	100,000	2,500	102,500
		<u>\$ 850,000</u>	<u>\$ 350,125</u>	<u>\$ 1,200,125</u>

1997 Downtown Development Authority Refunding Bonds

Purpose: To pay for the cost of refunding a portion of the 1990 Downtown Development Bonds, the 1991 Downtown Development Bonds and issuance costs of the bonds.

Issue: \$ 4,005,000

Issue date: May 15, 1997

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
5/1/2008	5.70 %	\$ 460,000	\$ 80,040	\$ 540,040
5/1/2009	5.80	460,000	53,820	513,820
5/1/2010	5.90	460,000	27,140	487,140
		<u>\$ 1,380,000</u>	<u>\$ 161,000</u>	<u>\$ 1,541,000</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

1998 Downtown Development Authority Refunding Bonds

Purpose: To pay for the cost of refunding a portion of the 1994 Downtown Development Bonds and issuance costs of the bonds.

Issue: \$ 3,835,000

Issue date: November 24, 1998

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
11/1/2007	4.00 %	\$ 315,000	\$ 116,153	\$ 431,153
11/1/2008	4.05	325,000	103,272	428,272
11/1/2009	4.10	340,000	89,720	429,720
11/1/2010	4.15	355,000	75,384	430,384
11/1/2011	4.20	370,000	60,248	430,248
11/1/2012	4.25	390,000	44,190	434,190
11/1/2013	4.30	405,000	27,195	432,195
11/1/2014	4.35	425,000	9,244	434,244
		<u>\$ 2,925,000</u>	<u>\$ 525,406</u>	<u>\$ 3,450,406</u>

2001 Michigan Transportation Bonds

Purpose: To finance improvements to the streets in the City.

Issue: \$ 900,000

Issue date: May 1, 2001

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2007	4.00 %	\$ 50,000	\$ 26,362	\$ 76,362
8/1/2008	4.10	50,000	24,337	74,337
8/1/2009	4.25	50,000	22,250	72,250
8/1/2010	4.45	75,000	19,519	94,519
8/1/2011	4.55	75,000	16,144	91,144
8/1/2012	4.65	75,000	12,694	87,694
8/1/2013	4.75	75,000	9,169	84,169
8/1/2014	4.85	75,000	5,569	80,569
8/1/2015	5.00	75,000	1,875	76,875
		<u>\$ 600,000</u>	<u>\$ 137,919</u>	<u>\$ 737,919</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2002 General Obligation Limited Tax Bonds

Purpose: To pay portion of costs for improvements to Special Assessment District.

Issue: \$ 265,000

Issue date: June 25, 2002

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
9/1/2007	3.600 %	<u>\$ 60,000</u>	<u>\$ 1,080</u>	<u>\$ 61,080</u>

2003 Street Sweeper Loan

Purpose: To finance the purchase of a new street sweeper.

Issue: \$ 143,100

Issue date: September 4, 2002

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
12/1/2007	4.68 %	\$ 21,610	\$ 2,052	\$ 23,662
12/1/2008	4.68	22,263	1,399	23,662
		<u>\$ 43,873</u>	<u>\$ 3,451</u>	<u>\$ 47,324</u>

2004 Dump Truck Loan

Purpose: To finance the purchase of a new dump truck.

Issue: \$ 87,987

Issue date: August 5, 2003

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
9/30/2007	3.97 %	<u>\$ 17,857</u>	<u>\$ 1,248</u>	<u>\$ 19,105</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2001 Water and Sewer Improvement Bonds

Purpose: To make improvements to the Water and Sewer Systems.

Issue: \$ 3,600,000

Issue date: August 1, 2001

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2007	4.00 %	\$ 134,250	\$ 65,720	\$ 199,970
2/1/2008	4.00	-	63,036	63,036
8/1/2008	4.00	134,250	63,036	197,286
2/1/2009	4.00	-	60,351	60,351
8/1/2009	4.00	134,250	60,351	194,601
2/1/2010	4.00	-	57,666	57,666
8/1/2010	4.00	179,000	57,666	236,666
2/1/2011	4.00	-	54,086	54,086
8/1/2011	4.25	179,000	54,086	233,086
2/1/2012	4.25	-	50,282	50,282
8/1/2012	4.25	201,375	50,282	251,657
2/1/2013	4.25	-	46,003	46,003
8/1/2013	5.00	201,375	46,003	247,378
2/1/2014	5.00	-	40,969	40,969
8/1/2014	5.00	223,750	40,969	264,719
2/1/2015	5.00	-	35,375	35,375
8/1/2015	5.00	223,750	35,375	259,125
2/1/2016	5.00	-	29,781	29,781
8/1/2016	4.70	223,750	29,781	253,531
2/1/2017	4.70	-	24,187	24,187
8/1/2017	4.70	223,750	24,187	247,937
2/1/2018	4.70	-	18,929	18,929
8/1/2018	4.70	268,500	18,929	287,429
2/1/2019	4.70	-	12,620	12,620
8/1/2019	4.70	268,500	12,620	281,120
2/1/2020	4.70	-	6,310	6,310
8/1/2020	4.70	268,500	6,310	274,810
		<u>\$ 2,864,000</u>	<u>\$ 1,064,910</u>	<u>\$ 3,928,910</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2004 Equipment Note

Purpose: To purchase a tanker truck and payoff three (3) existing higher interest rate debt issues.

Issue: \$ 842,136

Issue date: August 25, 2003

Due Date	Interest Rate	Bonds Maturing	Interest Due	Total Amount Due
10/15/2007	4.10 %	\$ 10,000	\$ 11,982	\$ 21,982
10/15/2008	4.10	115,000	20,666	135,666
10/15/2009	4.10	120,000	15,829	135,829
10/15/2010	4.10	125,000	10,841	135,841
10/15/2011	4.10	135,792	5,645	141,437
		<u>\$ 505,792</u>	<u>\$ 64,963</u>	<u>\$ 570,755</u>

2004 Water and Sewer Improvement Bonds

Purpose: To pay for costs for construction and improvements to the water and sewer system.

Issue: \$ 4,200,000

Issue date: April 1, 2004

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2007	3.00 %	\$ 60,000	\$ 71,330	\$ 131,330
2/1/2008	3.00	-	70,430	70,430
8/1/2008	3.00	60,000	70,430	130,430
2/1/2009	3.00	-	69,530	69,530
8/1/2009	3.00	60,000	69,530	129,530
2/1/2010	3.00	-	68,630	68,630
8/1/2010	3.50	60,000	68,630	128,630
2/1/2011	3.50	-	67,580	67,580
8/1/2011	3.50	60,000	67,580	127,580
2/1/2012	3.50	-	66,530	66,530
8/1/2012	3.75	80,000	66,530	146,530
2/1/2013	3.75	-	65,030	65,030
8/1/2013	4.00	80,000	65,030	145,030
2/1/2014	4.00	-	63,430	63,430
8/1/2014	4.00	100,000	63,430	163,430
2/1/2015	4.00	-	61,430	61,430

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2004 Water and Sewer Improvement Bonds - continued

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2015	4.00 %	\$ 100,000	\$ 61,430	\$ 161,430
2/1/2016	4.00	-	59,430	59,430
8/1/2016	4.00	120,000	59,430	179,430
2/1/2017	4.00	-	57,030	57,030
8/1/2017	4.00	120,000	57,030	177,030
2/1/2018	4.00	-	54,630	54,630
8/1/2018	4.13	140,000	54,630	194,630
2/1/2019	4.13	-	51,742	51,742
8/1/2019	4.13	140,000	51,742	191,742
2/1/2020	4.13	-	48,855	48,855
8/1/2020	4.25	140,000	48,855	188,855
2/1/2021	4.25	-	45,880	45,880
8/1/2021	4.25	200,000	45,880	245,880
2/1/2022	4.25	-	41,630	41,630
8/1/2022	4.38	200,000	41,630	241,630
2/1/2023	4.38	-	37,255	37,255
8/1/2023	4.38	200,000	37,255	237,255
2/1/2024	4.38	-	32,880	32,880
8/1/2024	4.50	240,000	32,880	272,880
2/1/2025	4.50	-	27,480	27,480
8/1/2025	4.50	240,000	27,480	267,480
2/1/2026	4.50	-	22,080	22,080
8/1/2026	4.60	240,000	22,080	262,080
2/1/2027	4.60	-	16,560	16,560
8/1/2027	4.60	240,000	16,560	256,560
2/1/2028	4.60	-	11,040	11,040
8/1/2028	4.60	240,000	11,040	251,040
2/1/2029	4.60	-	5,520	5,520
8/1/2029	4.60	240,000	5,520	245,520
		<u>\$ 3,360,000</u>	<u>\$ 2,160,534</u>	<u>\$ 5,520,534</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2005 Water and Sewer Improvement Bonds

Purpose: To pay for costs for construction and improvements to the Water and Sewer Systems.

Issue: \$ 3,700,000

Issue date: May 1, 2005

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
8/1/2007	3.50 %	\$ 22,500	\$ 67,737	\$ 90,237
2/1/2008	3.50	-	67,343	67,343
8/1/2008	3.50	45,000	67,343	112,343
2/1/2009	3.50	-	66,555	66,555
8/1/2009	3.50	67,500	66,555	134,055
2/1/2010	3.50	-	72,639	72,639
8/1/2010	3.50	90,000	65,374	155,374
2/1/2011	3.50	-	63,799	63,799
8/1/2011	3.50	90,000	63,799	153,799
2/1/2012	3.50	-	62,224	62,224
8/1/2012	3.50	90,000	62,224	152,224
2/1/2013	3.50	-	60,649	60,649
8/1/2013	3.60	112,500	60,649	173,149
2/1/2014	3.60	-	58,624	58,624
8/1/2014	3.60	112,500	58,624	171,124
2/1/2015	3.60	-	56,598	56,598
8/1/2015	3.65	112,500	56,598	169,098
2/1/2016	3.65	-	54,545	54,545
8/1/2016	3.70	135,000	54,545	189,545
2/1/2017	3.70	-	52,048	52,048
8/1/2017	3.80	135,000	52,048	187,048
2/1/2018	3.80	-	49,483	49,483
8/1/2018	3.90	135,000	49,483	184,483
2/1/2019	3.90	-	46,850	46,850
8/1/2019	4.00	157,500	46,850	204,350
2/1/2020	4.00	-	43,700	43,700
8/1/2020	4.10	157,500	43,700	201,200
2/1/2021	4.10	-	40,471	40,471
8/1/2021	4.10	157,500	40,471	197,971
2/1/2022	4.10	-	37,243	37,243
8/1/2022	4.20	180,000	37,243	217,243
2/1/2023	4.20	-	33,463	33,463
8/1/2023	4.20	180,000	33,463	213,463
2/1/2024	4.20	-	29,683	29,683
8/1/2024	4.20	202,500	29,683	232,183
2/1/2025	4.30	-	25,330	25,330

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2005 Water and Sewer Improvement Bonds - continued

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2025	4.30 %	\$ 202,500	\$ 25,330	\$ 227,830
2/1/2026	4.30	-	20,975	20,975
8/1/2026	4.40	225,000	20,975	245,975
2/1/2027	4.40	-	16,025	16,025
8/1/2027	4.40	225,000	16,025	241,025
2/1/2028	4.40	-	11,075	11,075
8/1/2028	4.45	247,500	11,075	258,575
2/1/2029	4.45	-	5,569	5,569
8/1/2029	4.50	247,500	5,569	253,069
		<u>\$ 3,330,000</u>	<u>\$ 2,010,254</u>	<u>\$ 5,340,254</u>

2006 Water and Sewer Improvement Bonds

Purpose: To pay for costs for construction and improvements to the Water and Sewer Systems.

Issue: \$ 1,500,000

Issue date: May 1, 2006

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
8/1/2007	6.00 %	\$ 22,500	\$ 33,098	\$ 55,598
2/1/2008	6.00	-	32,423	32,423
8/1/2008	6.00	22,500	32,423	54,923
2/1/2009	6.00	-	31,748	31,748
8/1/2009	6.00	22,500	31,748	54,248
2/1/2010	6.00	-	31,073	31,073
8/1/2010	6.00	22,500	31,073	53,573
2/1/2011	6.00	-	30,398	30,398
8/1/2011	6.00	22,500	30,398	52,898
2/1/2012	6.00	-	29,723	29,723
8/1/2012	6.00	45,000	29,723	74,723
2/1/2013	6.00	-	28,373	28,373
8/1/2013	6.00	45,000	28,373	73,373
2/1/2014	6.00	-	27,023	27,023
8/1/2014	6.00	45,000	27,023	72,023
2/1/2015	6.00	-	25,673	25,673
8/1/2015	6.00	45,000	25,673	70,673
2/1/2016	6.00	-	24,323	24,323
8/1/2016	4.60	45,000	24,323	69,323

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2006 Water and Sewer Improvement Bonds - continued

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
2/1/2017	4.60 %	\$ -	\$ 23,288	\$ 23,288
8/1/2017	4.60	67,500	23,288	90,788
2/1/2018	4.60	-	21,735	21,735
8/1/2018	4.60	67,500	21,735	89,235
2/1/2019	4.60	-	20,183	20,183
8/1/2019	4.60	67,500	20,183	87,683
2/1/2020	4.60	-	18,630	18,630
8/1/2020	4.60	67,500	18,630	86,130
2/1/2021	4.60	-	17,078	17,078
8/1/2021	4.60	67,500	17,078	84,578
2/1/2022	4.60	-	15,525	15,525
8/1/2022	4.60	67,500	15,525	83,025
2/1/2023	4.60	-	13,973	13,973
8/1/2023	4.60	67,500	13,973	81,473
2/1/2024	4.60	-	12,420	12,420
8/1/2024	4.60	90,000	12,420	102,420
2/1/2025	4.60	-	10,350	10,350
8/1/2025	4.60	90,000	10,350	100,350
2/1/2026	4.60	-	8,280	8,280
8/1/2026	4.60	90,000	8,280	98,280
2/1/2027	4.60	-	6,210	6,210
8/1/2027	4.60	90,000	6,210	96,210
2/1/2028	4.60	-	4,140	4,140
8/1/2028	4.60	90,000	4,140	94,140
2/1/2029	4.60	-	2,070	2,070
8/1/2029	4.60	90,000	2,070	92,070
		<u>\$ 1,350,000</u>	<u>\$ 902,363</u>	<u>\$ 2,252,363</u>

2006 Promissory Note

Purpose: To finance the purchase of 4 new pickup trucks.

Issue: \$ 75,348

Issue date: November 17, 2005

Due Date	Interest Rate	Principal Due	Interest Due	Total Amount Due
11/17/2007	4.13 %	\$ 25,134	\$ 2,115	\$ 27,249
11/17/2008	4.13	26,077	1,172	27,249
		<u>\$ 51,211</u>	<u>\$ 3,287</u>	<u>\$ 54,498</u>

City of Ionia

SCHEDULE OF DEBT OUTSTANDING - CONTINUED

June 30, 2007

2006 Infrastructure Loan

Purpose: To finance the upgrade of a communications tower for the Dial-A-Ride program.

Issue: \$ 484,079

Issue date: July 6, 2006

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
7/10/2007	3.00 %	\$ 115,708	\$ 14,522	\$ 130,230
7/10/2008	3.00	119,179	11,051	130,230
7/10/2009	3.00	122,754	7,476	130,230
7/10/2010	3.00	126,438	3,793	130,231
		<u>\$ 484,079</u>	<u>\$ 36,842</u>	<u>\$ 520,921</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining information of the City of Ionia, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ionia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Criteria: Governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the City rests with the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

Condition: It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the City of Ionia. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Effect: As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the City's annual financial statements and notes to the financial statements in accordance with GAAP. The City relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Recommendation: We recommend the City consider providing applicable employees with the necessary resources to allow them to fully comply with the new auditing standard. Should the City choose not to address this issue, management and the Board should realize that an increased risk is present in not having the proper internal control over financial reporting.

Corrective Action Response: The City will work toward having the knowledge and tools needed to prepare the government-wide and fund financial statements.

2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Condition: Material journal entries for the adjustment of debt proceeds, capital assets, debt repayment, and receivables were proposed by the auditors.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the City's internal controls.

Recommendation: We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The City will work toward having all material journal entries completed before auditing fieldwork begins.

2007-3 BANK RECONCILIATIONS

Criteria: Bank accounts should be reconciled in a timely manner and records should be retained.

Condition: It was noted during the course of our audit that some year-end bank account reconciliations (pooled fund bank account and accounts payable bank account) were not completed until more than 2 months after the fiscal year had ended. In one instance (income tax bank account), it was noted that the listing of outstanding checks had not been retained with the other reconciliation documents.

Effect: Management is unable to assert that their cash balances are complete or accurate without complete bank reconciliations.

Recommendation: We recommend the City perform all bank account reconciliations in a timely matter, and retain all relevant information.

2007-3 BANK RECONCILIATIONS - CONTINUED

Corrective Action Response: The implementation of staff changes during FY 06-07 resulted in the Finance Director spending an inordinate amount of time training new staff members. Duties were also realigned. With these changes now in place, the Finance Director will have more time to spend on regular duties such as reconciliation of bank statements during the next fiscal year.

2007-4 AUTHORIZED CHECK SIGNERS

Criteria: Only appropriate employees of the City of Ionia should be authorized check signers for the City's checking accounts.

Condition: It was noted that a former employee of the City was still one of the authorized signers for certain City accounts.

Effect: An individual with no association with the City has the ability to draw checks on City accounts.

Recommendation: We recommend the City remove any former employees as authorized signers from all bank accounts.

Corrective Action Response: The City will ensure that all bank accounts have updated signature cards.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above as 2007-1 and 2007-2 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

2007-5 UNFAVORABLE BUDGET VARIANCES

Criteria: The Uniform Budgeting and Accounting Act requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Condition: During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for the Major Street and Recreation Special Revenue funds.

Effect: The City adopted the budget for the Special Revenue Funds at the total expenditure level for Special Revenue funds. Having unfavorable budget variances as described above, the City is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The City will work toward closely monitoring the budgets and make timely adjustments as necessary.

2007-6 DEFICIT

Criteria: Public Act 275 of 1980 requires local units of government that end its year in a deficit condition to formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct the condition.

Condition: As of June 30, 2007, the Downtown Development Authority is reporting a fund deficit of \$313,537. This issue was noted in our previous audits and the City has filed its corrective action plan with the State of Michigan.

Effect: The City will need to comply with the financial plan that it files with the State of Michigan.

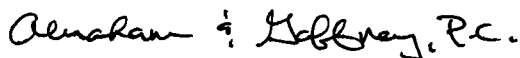
Recommendation: We recommend that the City continue to follow the corrective action plan filed with the State of Michigan.

Corrective Action Response: The City will continue to implement the Deficit Elimination Plan previously approved by the State of Michigan.

The City of Ionia's responses to the findings identified in our audit are described above. We did not audit the City of Ionia's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management and the Honorable Mayor and members of the City Council of the City of Ionia in a separate letter dated November 16, 2007.

This report is intended solely for the information and use of management, the Mayor, and the City Council of the City of Ionia, federal awarding agencies and pass through entities, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

November 16, 2007

**City of Ionia
Ionia County, Michigan**

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2007

City of Ionia

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

Compliance

We have audited the compliance of the City of Ionia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. The City of Ionia's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs are the responsibility of the City of Ionia's management. Our responsibility is to express an opinion on the City of Ionia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ionia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Ionia's compliance with those requirements.

In our opinion, the City of Ionia complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Ionia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Ionia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ionia's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

East Lansing ■ Rochester Hills ■ St. Johns

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as identified above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia as of and for the year ended June 30, 2007, and have issued our report thereon dated November 16, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ionia's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council of the City of Ionia, the pass-through grantors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 16, 2007

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE					
Passed through State Department of Education					
Summer Food Program for Children	10.559	34SF0200	\$ 7,073	\$ 7,073	\$ 7,073
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through Michigan Department of Transportation					
Federal Transit - Capital Investment Grants ^(a)	20.500				
Section 5309 Capital		2002-0050/Z17	635,800	493,240	493,240
Section 5309 Capital		2002-0050/Z14	<u>151,840</u>	<u>576</u>	<u>576</u>
			787,640	493,816	493,816
Jobs Access and Reverse Commute Grant	20.516				
FY 05-06		2002-0050/Z6	82,878	11,561	11,561
FY 06-07		2007-0231/Z2	<u>34,362</u>	<u>17,181</u>	<u>17,181</u>
			117,240	28,742	28,742
Formula Grants for Other Than Urbanized Areas	20.509				
RTAP		N/A	1,618	1,618	1,618
Section 5311 Operating Assistance					
FY 2007		2007-0231/Z3	86,160	61,507	61,507
FY 2006		2002-0050/Z16	<u>96,373</u>	<u>31,041</u>	<u>31,041</u>
			<u>184,151</u>	<u>94,166</u>	<u>94,166</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,089,031	616,724	616,724

City of Ionia, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year</u>	
				<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
The State Homeland Security Grant Program					
Passed through Michigan State Police,					
Emergency Management Division					
CBRNE Interoperable Communications					
Equipment Reimbursement	97.004				
2004 HSGP		N/A	\$ 22,000	\$ 22,000	\$ 22,000
Passed through Michigan State Police Emergency					
Management Division and Ionia County					
Solutions Area Planner		N/A	<u>8,676</u>	<u>8,676</u>	<u>8,676</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>30,676</u>	<u>30,676</u>	<u>30,676</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,126,780</u>	<u>\$ 654,473</u>	<u>\$ 654,473</u>

(a) Denotes program tested as a "major program"

City of Ionia

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2007

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Ionia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are reconciled in Note B.

NOTE B: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the June 30, 2007 Basic Financial Statements to the expenditures of the City administered Federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Federal/ State/Local Revenue</u>	<u>Less State/Local Revenue</u>	<u>Federal Expenditures</u>
GENERAL FUND			
Homeland security grants	\$ 120,822	\$(90,146)	\$ 30,676
Summer food service program	7,073	-	7,073
Other programs	<u>938,678</u>	<u>(938,678)</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,066,573	(1,028,824)	37,749
ENTERPRISE FUNDS			
Dial-A-Ride Fund	<u>854,611</u>	<u>(237,887)</u>	<u>616,724</u>
	<u>\$ 1,921,184</u>	<u>\$(1,266,711)</u>	<u>\$ 654,473</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ionia as of and for the year ended June 30, 2007, and have issued our report thereon dated November 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ionia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ionia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described below as Findings 2007-1, 2007-2, 2007-3, and 2007-4 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

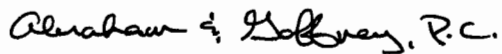
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that Findings 2007-1 and 2007-2 described in the schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ionia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are reported in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-5 and 2007-6.

We noted certain matters that we reported to the management of the City of Ionia in a separate letter dated November 16, 2007.

This report is intended solely for the information and use of management and the City Council of the City of Ionia, the pass-through grantors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 16, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Section I - Summary of Auditor's Results**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

☒ Yes ☐ No

Significant deficiencies identified that are not considered to be material weakness(es)?

☒ Yes ☐ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weakness(es)?

☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.500

Federal Transit Capital Investment Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No**Section II - Financial Statement Findings****2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP**

Criteria: Governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the City rests with the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Condition: It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2007

Section II - Financial Statement Findings - continued

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

The condition noted in the preceding paragraph exists at the City of Ionia. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Effect: As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the City's annual financial statements and notes to the financial statements in accordance with GAAP. The City relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Recommendation: We recommend the City consider providing applicable employees with the necessary resources to allow them to fully comply with the new auditing standard. Should the City choose not to address this issue, management and the Board should realize that an increased risk is present in not having the proper internal control over financial reporting.

Corrective Action Response: The City will work toward having the knowledge and tools needed to prepare the government-wide and fund financial statements.

2007-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Condition: Material journal entries for the adjustment of debt proceeds, capital assets, debt repayment, and receivables were proposed by the auditors.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the City's internal controls.

Recommendation: We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The City will work toward having all material journal entries completed before auditing fieldwork begins.

2007-3 BANK RECONCILIATIONS

Criteria: Bank accounts should be reconciled in a timely manner and records should be retained.

Condition: It was noted during the course of our audit that some year-end bank account reconciliations (pooled fund bank account and accounts payable bank account) were not completed until more than 2 months after the fiscal year had ended. In one instance (income tax bank account), it was noted that the listing of outstanding checks had not been retained with the other reconciliation documents.

Effect: Management is unable to assert that their cash balances are complete or accurate without complete bank reconciliations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2007

Section II - Financial Statement Findings - continued

2007-3 BANK RECONCILIATIONS - CONTINUED

Recommendation: We recommend the City perform all bank account reconciliations in a timely matter, and retain all relevant information.

Corrective Action Response: The implementation of staff changes during FY 06-07 resulted in the Finance Director spending an inordinate amount of time training new staff members. Duties were also realigned. With these changes now in place, the Finance Director will have more time to spend on regular duties such as reconciliation of bank statements during the next fiscal year.

2007-4 AUTHORIZED CHECK SIGNERS

Criteria: Only appropriate employees of the City of Ionia should be authorized check signers for the City's checking accounts.

Condition: It was noted that a former employee of the City was still one of the authorized signers for certain City accounts. The bank accounts that were noted were Michigan One Community Credit Union account number 0000009120, Firstbank/ICNB account number 1097597, and Firstbank/ICNB account number 1097634.

Effect: An individual with no association with the City has the ability to draw checks on City accounts.

Recommendation: We recommend the City remove any former employees as authorized signers from all bank accounts.

Corrective Action Response: The City will ensure that all bank accounts have updated signature cards.

2007-5 UNFAVORABLE BUDGET VARIANCES

Criteria: The Uniform Budgeting and Accounting Act requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Condition: During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for the Major Street and Recreation Special Revenue funds.

Effect: The City adopted the budget for the Special Revenue Funds at the total expenditure level for Special Revenue funds. Having unfavorable budget variances as described above, the City is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The City will work toward closely monitoring the budgets and make timely adjustments as necessary.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2007

Section II - Financial Statement Findings - continued

2007-6 DEFICIT

Criteria: Public Act 275 of 1980 requires local units of government that end its year in a deficit condition to formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct the condition.

Condition: As of June 30, 2007, the Downtown Development Authority is reporting a fund deficit of \$313,537. This issue was noted in our previous audits and the City has filed its corrective action plan with the State of Michigan.

Effect: The City will need to comply with the financial plan that it files with the State of Michigan.

Recommendation: We recommend that the City continue to follow the corrective action plan filed with the State of Michigan.

Corrective Action Response: The City will continue to implement the Deficit Elimination Plan previously approved by the State of Michigan.

Section III - Federal Award Findings and Questioned Costs

None

City of Ionia

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2007

There were no findings disclosed for the past two years.

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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

As you know, we have recently completed our audit of the records of the City of Ionia, Michigan as of and for the year ended June 30, 2007. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The City should ensure that all of its bank accounts have the same Employer Identification Number.

During the course of the audit, it was noted that the Hall Fowler Library's Employer Identification Number (EIN) is the same as the City's. The City's management was previously unaware of this issue and will be discussing this issue with the Library during the fiscal year to work on changing the Employer Identification Number of the Library from that of the City. A similar issue was noted in our audit comments last year regarding a Theatre bank account.

We suggest that the City ensure that other entities are not using the Employer Identification Number of the City.

2. Capital assets and related depreciation should be reported in the general ledger in a timely manner.

During the course of the audit, it was noted that the schedules supporting capital assets, depreciation expense, and accumulated depreciation were not completed in a timely manner. As a result, the necessary adjustments to various line items in the general ledger could not be made in a timely manner.

We suggest that all necessary journal entries related to capital assets be recorded in the general ledger in a timely manner and be available for audit during the scheduled timeframe for the year-end audit fieldwork.

3. Disbursements of the City should include an authorized signature.

During the course of our audit, it was noted that based on a sample of five (5) disbursements at the Ionia Theatre, one (1) check was found to have been issued and cleared without an authorized signature.

We suggest that the City ensure all disbursement checks include an authorized signature. We also suggest that the City consider closing the Ionia Theatre accounts and incorporating a process for ACH payments to address timing issues for payments for movies.

4. The City and LDFA should address the growing debt from the Local Development Finance Authority owed to the Ionia Area Sewage Disposal System.

The Ionia Area Sewage Disposal System (SDS) loaned the Local Development Finance Authority (LDFA) \$520,000 several years ago. The initial projected repayment of the loan was based on sales of Industrial Park Land, however recent payments have not covered the interest amounts accruing on the outstanding balance. As of June 30, 2007, the outstanding balance totaled \$742,382, and the LDFA does not have a viable means to repay the loan in the foreseeable future.

We suggest that the City and LDFA analyze the outstanding balance owed to the SDS, consider alternative means of making the SDS whole, and formalize an amortization schedule for the repayment of this debt.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated November 16, 2007.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Ionia and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 16, 2007